Introduction

The National Supervision Policy Manual (NSPM) establishes national policies, procedures, and guidelines for effective district management, supervision of credit unions, and quality assurance. Promoting the consistent application of the examination procedures outlined in the NSPM, and vetting and coordinating across the agency the need for any additional examination policies and procedures furthers its purpose.

While supervisors have the right and responsibility to assign work and manage staff, they should not institute new or additional standard operating procedures, a practice often referred to as "layering." Implementing additional procedures that apply to all examiners in an SE group or field office, or establishing general policy that is narrower than national guidance, is not appropriate. On a case-by-case basis, supervisors can and should implement procedures to manage risk in specific credit unions and/or address the development needs of individual employees.

Adoption by field offices or supervisors of any alternative or additional examination policies, procedures, or directives beyond what is addressed in the NSPM and other national guidance must be cleared through the Exam Steering Group and the Office of Examination and Insurance (E&I). The Exam Steering Group will review and evaluate field office and/or SE level specific practices to determine if they require E&I approval.
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Administrative Remedies

Administrative remedies are a broad range of actions that, while including formal actions such as published LUAs and cease and desist orders, also includes informal actions such as DORs, RDLs, unpublished LUAs, and PWLS. These actions are available to prevent or eliminate serious operational and financial problems in credit unions. Administrative remedies provide protection to credit unions, credit union members, creditors, the share insurance fund, and the credit union industry. Administrative remedies are tools available to the NCUA to affect problem resolution.

The NSPM provides an overview of administrative actions and establishes expectations, procedures, and controls for developing and processing specific informal and formal actions. This guidance, and the provided correspondence templates, are intended to improve efficiency and consistency in preparing administrative actions. The templates must be modified to make them suitable for the particular facts and circumstances of a given case. The details of the particular problems, as well as the expected timeframes and specific corrective action, should be clearly spelled out in the body of the agreement. OGC is available to assist in preparing, reviewing, and negotiating any formal administrative action should such assistance be desired and requested by the regional office.

Formal administrative action processes and guidance are referenced in NCUA Instruction 4820, Enforcement Manual, and chapters 29 and 30 of the Examiner's Guide.

For more information about administrative remedies, see Supervisory Letter 10-04, Administrative Remedies, NCUA Instruction 4820, Enforcement Manual; NCUA Instruction 4810, Special Assistance Manual; and Chapters 29 and 30 of the Examiner's Guide.

General Responsibilities

E&I and OGC

- Review administrative actions for concurrence when required under delegated authority
• Routinely request reports from the regions and may periodically request a sampling of issued administrative actions for quality control purposes as part of an ongoing quality assurance process

• Review regional activity as a means of tracking regional and national trends for resource, consistency, and policy formation purposes and will issue a semi-annual national summary of administrative actions

• Provide advice and guidance on the use and issuance of administrative actions

**Regional Directors**

• Ensure any recommended administrative action is warranted and supported

• Confirm proper monitoring of administrative actions and sufficient progress of problem resolution

• Provide a process to track administrative actions and provide Control Reports as discussed in BSA Control Reports

**Supervisors**

• Confirm examiners adequately recognize and address risk(s) and use the appropriate level of administrative action

• Follow the administrative action processes in this section of the NSPM, while ensuring proper analysis and documentation supports all administrative actions

• Monitor examiners’ supervision plans and activities for compliance with appropriate resolution and national requirements

• Confirm compliance with agreed-upon corrective action and timeframes and review examiners’ recommended alternative actions based upon the level of resolution

• Ensure documents drafted by examiners are professional and results-oriented

**Field Staff**

• Detect and formulate action plans to resolve credit union problems before they become insurmountable
• Address issues during examinations and supervision contacts and recommend elevated actions when appropriate
  • Certain administrative actions are expected on all CAMEL 4 and 5 credit unions. See Supervisory Letter 10-04, Administrative Remedies, and the Administrative Actions for Troubled Credit Unions section of the NSPM for more information.

• Adhere to administrative action processes in this section and draft necessary documents

• Work with their supervisor to provide analysis and documentation that supports any recommended action

• Provide correspondence to credit unions that is accurate, easily understood, and results-oriented with clearly established expectations and goals

• Monitor credit union compliance with agreed-upon corrective action and timeframes and recommend necessary alternative actions based upon the level of resolution

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Last updated July 29, 2015

## Types of Administrative Remedies

Administrative remedies fall into two different categories: informal actions and formal actions.

<table>
<thead>
<tr>
<th>Informal Actions</th>
<th>Formal Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Document of resolution</td>
<td>• Published letter of understanding and agreement</td>
</tr>
<tr>
<td>• Regional director letter</td>
<td>• Immediate and/or permanent cease and desist order</td>
</tr>
<tr>
<td>• Non-published letter of understanding and agreement</td>
<td>• Civil money penalty</td>
</tr>
<tr>
<td>• Preliminary warning letter</td>
<td>• Involuntary liquidation</td>
</tr>
</tbody>
</table>
Informal Actions

With the exception of a DOR, the Regional Director must approve all informal actions.

Formal Actions

Formal actions, also known as enforcement actions, are taken when an event triggers a level of concern requiring immediate attention and/or informal actions have not resolved the core concerns to the NCUA’s satisfaction. Unlike most informal actions, formal actions are authorized by statute (and, in some cases, mandated), are generally more severe, and may be disclosed to the public. OGC must be consulted on all formal actions and they must be approved as outlined in the Delegations of Authority. When considering a formal action, consult OGC as early in the process as possible.

Before deciding to take formal administrative action, an examiner and their supervisor must clearly understand the nature of a credit union's problems and why any previous attempts to resolve the problems failed. Examiners are responsible for ensuring an administrative record presents a complete, factual, and fully documented history of the credit union's problems and the examiner’s concerns about the credit union. Examiners will recommend formal administrative action after consulting with their supervisor. Prior to proceeding, the supervisor will discuss the action with the associate regional director, who will receive concurrence from the Regional Director. It is critical that the field and
region initiate communication early when formal administrative action is recommended.

See NCUA Instruction 4820, Enforcement Manual, for more information about processing formal administrative actions.

Regional Director Letter

A Regional Director letter is used when a credit union has serious and/or persistent problem areas that are not being resolved through field supervision alone. Examiners will ensure they fully address the issues through the examination process first, but a letter from the Regional Director is an option to further emphasize the areas of concern.

- [Sample Regional Director letter](#)

Field Staff Responsibilities

- Discuss the recommendation for an RDL with the supervisor
- Address the primary areas of concern, corrective actions, expectations, and required response(s)
- Be direct, concise, and clear (as a general guideline, RDLs should not be longer than two pages)
- Write from the perspective of the Regional Director and with the appropriate official audience in mind
- Direct the credit union’s board of directors to respond in writing to the Regional Director, with a copy to the examiner
  - Examiners are responsible for all follow-up to ensure a credit union’s response is timely and appropriate.
- Indicate the recommendation of an RDL in the Examiner’s Comments section on the Completion Information tab of the Examination Management Console in AIRES
- Email the draft RDL to the supervisor for review and approval within three business days of the contact completion date
  - The supervisor will review the report to ensure the letter is appropriate and fully supported. The supervisor will then forward it to their
region’s DOS mailbox within seven business days from the contact completion date.

- If the examiner does not include the required notification for downgrades/upgrades to a CAMEL 3, 4, or 5 in an exam report (as discussed in the NSPM), the examiner will process an RDL through the supervisor (and then follow normal processing through the regional office) to notify a credit union (only occurs under rare circumstances, and must be justified in the Confidential Section)
  - Use the Acknowledge LUA and CAMEL Downgrade template
  
  - If the NCUA did not participate and the SSA has upgraded to a CAMEL 3 or better, but notice of removal of troubled condition cannot be verified, use the Upgrade FISCU from Troubled Condition Status template.

  - If the NCUA did not participate but cannot confirm notice was given to a FISCU, use the Notify FISCU of Troubled Condition template; this letter is used on an exception basis.

### Division of Supervision Review

- DOS will review all draft Regional Director letters and prepare them for the Regional Director’s signature, and may make minor modifications to an RDL
  
  - If major changes to the content are needed (deleting whole paragraphs, adding new or relevant information, changing the original intended message), DOS will contact the supervisor for concurrence with the changes or will return the draft directly to the supervisor for revision.

- DOS will mail (via expedited mail delivery service) the Regional Director letter to the board chairperson using the credit union’s address or board chairperson’s home address (and copy the CEO as appropriate)
  
  - In special cases, DOS may mail the RDL to each board member’s home or the supervisor may determine if delivering the letter in person is appropriate.

- If the Regional Director or DOS decides not to issue an RDL, DOS will discuss the decision with the field supervisor, who will then discuss it with the examiner
Letter of Understanding and Agreement

A letter of understanding and agreement lists a credit union’s specific material problems and the corrective actions necessary to resolve them. It demonstrates to the officials the problems are a major concern to the NCUA and formally requests that officials agree to the listed actions in lieu of the agency taking formal administrative action (assuming it is an unpublished LUA; a published LUA is a formal administrative action). The LUA will identify the areas of concern and the necessary corrective actions. Examiners will ensure LUA directives and timeframes are clear, specific, measurable, and easily understandable. No LUA will have a specific termination date unless the LUA is drafted in conjunction with a newly chartered credit union and not as a result of significant problems.

An examiner’s recommendation to issue an LUA typically needs to be based on an examination, follow-up examination, or onsite supervision contact supported by an AIRES upload. Examiners will meet with key staff, officials of the credit union, and the SSA (in the case of joint contacts) during the examination or follow-up examination to develop an LUA.
Administrative Remedies
Issue an LUA

Examiners will ensure all significant concerns and corrective actions outlined in an LUA are documented in the DOR module. The LUA will address the most significant concerns identified in the DOR; it will not necessarily be an exact duplicate. However, an item in an LUA must be recorded in the DOR module and flow through the DOR either at a prior contact or at the same contact during which the LUA is issued.

LUAs may either be issued/signed at the joint conference, or at a subsequent meeting specifically for the LUA signing after the joint conference and close of the examination. If an examiner opts to leave an exam open to issue the LUA at the joint conference, they may request a waiver of the 75-day completion requirement, up to a total of 105 days.

To prepare an LUA, examiners will:

- Obtain supervisor concurrence and document supervisor agreement in the Confidential Section, as required by the NSPM
- Discuss the intent and the preliminary content of the LUA during the preliminary meeting with management in advance of signing the LUA
- Notify management, with their supervisor, that the issuance of an LUA is subject to review by the Regional Director
- Draft an LUA and email it to their supervisor no later than three business days after completing the contact

Upon receiving a draft LUA, supervisors will:

- Review the LUA and make a recommendation to either issue it or not
- Notify the appropriate associate regional director of all LUAs to be issued, regardless of asset size of a credit union
- Forward the draft LUA to the region’s DOS mailbox for processing and Regional Director approval within seven business days from receiving the draft LUA from the examiner

Upon receiving an LUA from a supervisor, DOS will:

- Discuss all material changes to the LUA with the field supervisor
- Return the final, approved version of the LUA to the supervisor by e-mail, or by other means as appropriate, for delivery to the credit union
• Work with the supervisor and examiner to review the draft LUA in a mutually agreeable timeframe

Examiners will send an electronic copy of the final, approved LUA to credit union officials via ZixMail, before the signing meeting. Examiners will allow officials a minimum of two business days to review the LUA before they sign it. Examiners will print at least two copies of the final approved LUA and present it to the officials in the manner described in the NSPM. If a quorum of directors signs the LUA, it is considered to be accepted by the board.

DOS and the credit union receive the original signed copies of the LUA. The supervisor and the examiner will receive a scanned electronic copy (from DOS) for their records. In the case of a FISCU, the regional office will decide if a third original copy is necessary.

Problem Code Illustration

An item in an LUA must be recorded in the DOR module and flow through the DOR either at a prior contact or at the same contact the LUA is issued. The problem code in the DOR module should remain unresolved until the problem is resolved, regardless of whether the problem is outlined in the DOR or LUA.

The scenarios below outline the flow of items through the DOR module, DOR, and LUA.

Scenario A

<table>
<thead>
<tr>
<th>Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five new DOR items issued</td>
</tr>
<tr>
<td>Place all items in DOR Module</td>
</tr>
<tr>
<td>Issue DOR with all items</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Follow-Up Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 of 5 DOR items are resolved</td>
</tr>
<tr>
<td>No new DOR items</td>
</tr>
<tr>
<td>• Mark two DOR items as resolved in DOR module</td>
</tr>
<tr>
<td>• Issue LUA with three DOR items, which remain unresolved in DOR module</td>
</tr>
<tr>
<td>• Include all five items in Status Update</td>
</tr>
<tr>
<td>• No DOR issued</td>
</tr>
</tbody>
</table>

Scenario B
Deliver an LUA

An examiner and their supervisor will deliver an LUA to the credit union at a meeting of the board of directors. The supervisor will give the associate regional director advance notice of when the LUA will be delivered, and will attend all joint conferences in which an examiner presents an LUA to credit union officials.

When delivering an LUA, examiners will:

- Arrange for delivery of an LUA as soon as possible, but within 14 business days after receipt of the final approved version
- Conduct the meeting and explain the LUA to the board of directors
- Document the supervisor’s attendance at the meeting
  - For an FCU, document in the Confidential Section of the examination report.
  - For a FISCU, document in the WCC 26 Review or memo summarizing the results of the joint examination.
Collect all signed LUAs (minimum of two) after the meeting
- If the officials refuse to sign an LUA, examiners will prepare a report documenting the refusal and recommend a course of action, such as a Preliminary Warning Letter.

Submit signed LUAs (minimum of two), through their supervisor, to the regional DOS within three days of the LUA meeting for the Regional Director's signature

1. Deliver a Final, Signed LUA

After the Regional Director signs an LUA, DOS will:

- Mail one of the original, signed LUAs to the credit union with the Regional Director cover letter
- Maintain the other original, signed LUA in the regional office’s charter file and an electronic copy (scanned copy with signature) on the DOS drive
- Scan and email electronic copies of the signed LUA to the examiner and their supervisor
  - For a jointly issued LUA, DOS will mail a copy of the signed LUA to the SSA (or an original signed LUA if the regional office preferred the examiner to obtain a third signed copy).

In the situation where an LUA is issued and the credit union was downgraded to a CAMEL 4 or 5, a Regional Director letter acknowledging the LUA and downgrade may be appropriate. The Regional Director letter acknowledges the LUA, includes a brief synopsis of the problems, and notes the requirements of NCUA regulation § 701.14 regarding the selection of officials and senior management for troubled credit unions.

Supervision Contacts for a Credit Union with an LUA

Frequency of examinations, follow-up examinations, and onsite supervision contacts is driven by a credit union’s CAMEL ratings and overall risk to the share insurance fund. Examiners will consider any outstanding administrative actions when planning supervision and assigning the CAMEL ratings. If examiners encounter a credit union with an outstanding administrative action (and associated risk), and the risk is not reflected in the CAMEL ratings (which drive the frequency of supervision), they will discuss with their supervisor and plan supervision accordingly.
Unless there are extenuating circumstances, and approved by the associate regional director, supervision of credit unions with outstanding administrative actions will be in line with national policy for CAMEL 3, 4, or 5 credit unions.

During the time in which an LUA is in place, examiners will:

- Prepare and distribute the examination or supervision contacts reports in the same manner as other examinations and supervision contacts
- Document compliance with the LUA in the Status Update during each contact
  - List the status of each item as resolved or not resolved. Include comments to support completion status.
- Document recommendations for future action such as continue, modify, terminate the LUA, or proceed with elevated or formal administrative action
- Recommend removal of the LUA during a follow-up examination or regular examination, if the officials have corrected the problem areas (The examiner will prepare a draft letter for the Regional Director’s signature explaining why they recommend removal of the LUA.)
- Recommend elevated administrative action if the officials have not corrected the problem areas within the timeframes outlined in the LUA
  - This could be formal action such as a published LUA, Cease and Desist order, civil money penalty, involuntary liquidation, etc. Refer to NCUA Instruction 4820, Enforcement Manual, for processing procedures of formal administrative actions.
- Document the existence of an LUA in AIRES in the Exam Management Console (Administrative Tracking section of the Completion Information tab)

**Terminate an LUA**

When a credit union meets the specific performance standards outlined in an LUA, examiners will recommend to the Regional Director to terminate the LUA. Examiners will not report orally or in writing to the credit union that the LUA is terminated prior to Regional Director approval. Examiners may recommend the termination of an LUA only after an examination or onsite contact supported by adequate work papers showing the credit union has corrected the problems cited in the LUA.
When conditions warrant the termination of an LUA, the examiner will prepare a draft LUA removal letter to the credit union explaining why the Regional Director is removing the LUA and forward the letter to the supervisor with an explanation in the email supporting their recommendation to terminate the LUA. After review, the supervisor will forward the draft letter to DOS Mail. DOS will review and process the letter to the credit union for Regional Director signature. The NCUA will consult with the SSA for termination of joint LUAs.

Problem Resolution

If a credit union fails to comply with an LUA, examiners should discuss the need for additional enforcement action with the SE. At a minimum, the CAMEL and risk ratings need to reflect management’s failure to comply with an LUA.

Preliminary Warning Letter

Examiners will draft a preliminary warning letter when a credit union’s problems are serious and/or persistent and a credit union’s board is unwilling to sign an LUA. A PWL will support formal administrative action such as a published LUA or C&D order.

A PWL is a warning of potential formal administrative action if corrective action is not taken. If formal administrative action is taken, then the PWL is automatically removed and all action items in it will be incorporated into the formal administrative action. There may be rare instances where both a PWL and a formal administrative action are necessary to address separate supervisory concerns.

Examiners will only recommend to their supervisor to issue a PWL as a result of a regular examination, follow-up examination, or onsite supervision contact supported by an AIRES upload. Sample PWLs and a BSA-specific PWL are provided as resources for this section of the NSPM.

PWL are written from the perspective of the Regional Director, and include:

- Direct, concise, and clear language
- A list of the serious area(s) of concern and citation of the Federal Credit Union Act or regulation violated
When the primary problem area is poor management, include the following text: "Your credit union is operating in an unsafe and unsound manner for which substantial, immediate, and corrective action must be taken. It is the board of directors’ responsibility, as the body providing general direction and control for the credit union, to take necessary corrective actions."

- A statement of impending administrative action by the NCUA
- Required actions and timeframes for resolving the area(s) of concern

**DOS Responsibilities**

- Review PWLs for appropriateness and process for Regional Director approval
- Discuss all material changes with the supervisor

**Field Staff Responsibilities**

- Obtain supervisor and ARD concurrence for a PWL before preparing a letter
- E-mail draft PWL to the supervisor for review and approval within three business days of the examination/supervision completion date
  - The supervisor will review the report to ensure the PWL is appropriate and supported and then forward it to their region’s DOS mailbox within seven business days from the examination/supervision completion date.

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**Deliver a Preliminary Warning Letter**

The supervisor will determine whether to hand-deliver or mail a PWL based on the severity of the issues.

For hand-delivered PWLs:

- The supervisor will notify DOS of the planned meeting date so the letter is dated accordingly (approximately two to three weeks from the date field staff submits the draft letter to DOS)
- Once the letter is approved and signed by the Regional Director, DOS will mail one original copy of the letter directly to the supervisor for hand-
delivery and provide scanned copies to the examiner and supervisor for recordkeeping

- The examiner and the supervisor will deliver the PWL onsite to discuss the contents of the letter (usually at a formal meeting with the credit union’s board of directors)
  - Following the meeting, the examiner will distribute the original, signed copy of the PWL to the credit union officials.
- The examiner and supervisor maintain scanned copies of the signed PWL

For mailed PWLs:

- DOS will mail the letter (via expedited mail delivery service) to the board chairperson using the credit union’s address or board chairperson’s home address with signature confirmation, and copy the CEO as appropriate
  - In special cases, DOS may mail the PWL to each board member’s home.
- DOS will provide scanned copies to the examiner and supervisor for their records
- The examiner and supervisor will maintain scanned copies of the signed PWL

Supervision Contacts for a Credit Union with a PWL

As described in the [LUA section of the NSPM](#), the frequency of examinations, follow-up examinations, and onsite supervision contacts is driven by a credit union’s CAMEL ratings and overall risk to the share insurance fund. Examiners will consider any outstanding administrative action when planning supervision and assigning the CAMEL ratings. If an examiner encounters a credit union with an outstanding administrative action (and associated risk) and the risk is not reflected in the CAMEL rating (which drives the frequency of supervision), they will discuss with their supervisor and plan their supervision accordingly.

Unless there are extenuating circumstances, and approved by the associate regional director, supervision of credit unions with outstanding administrative actions will be in line with national policy for CAMEL 3, 4, and 5 credit unions (perform a follow-up examination at least every 120 or 180 days (from completion date to completion date)).

Examiners will:
• Prepare and distribute the examination or supervision contact reports in the same manner as other examinations and supervision contacts.

• Document compliance with the PWL in the Status Update during each contact
  • The status of each item will be listed as resolved or not resolved. Examiners will include comments to support completion status.

• Document recommendations for future action such as continue, modify, terminate the PWL, or proceed with elevated or formal administrative action
  • Examiners will refrain from recommending a PWL be reissued, rewritten, or allowed to remain outstanding for long periods (usually no longer than 12 months).

• Recommend removal of the PWL when it is confirmed during a follow-up examination or regular examination the officials have corrected the problem areas and prepare a draft letter for the Regional Director’s signature explaining the recommendation.

• Recommend escalated administrative action if a credit union has not corrected the problem areas within the timeframes outlined in the PWL
  • Escalated administrative action may include a published LUA, Cease and Desist order, civil money penalty, involuntary liquidation, or others. Refer to NCUA Instruction 4820, Enforcement Manual, for processing procedures for civil money penalties, involuntary liquidations, conservatorships, etc.

• Document the existence of a PWL in AIRES under Other Administrative Action (in the Administrative Tracking section on the Completion Information tab of the EMC).

Terminating a Preliminary Warning Letter

When a credit union meets the specific performance standards outlined in a PWL, examiners will recommend termination of the PWL. Examiners will recommend the termination of a PWL only after they complete an examination or onsite contact supported by adequate work papers showing the credit union has corrected the problems cited in the PWL.

When conditions warrant the termination of a PWL, the examiner will prepare a draft PWL removal letter to the credit union explaining why the Regional
Director is removing the PWL. The examiner will forward the draft letter to the supervisor with an explanation in the email supporting their recommendation to terminate the PWL. After review, the supervisor will forward the draft letter to DOS Mail for review and processing for Regional Director signature.

Civil Money Penalty

The NCUA’s authority to impose civil money penalties against federally insured credit unions that do not meet a quarterly Call Report filing deadline is granted under Section 202 of the Federal Credit Union Act (12 U.S.C. § 1782). The NCUA coordinates with SSAs to assess CMPs against FISCUs, and, as a matter of courtesy and fairness, takes any late-filing fees assessed by the state into account when assessing a CMP.

The NCUA announced that all credit unions must file Call Reports electronically in Letter to Credit Unions 13-CU-11, Electronic Filing of Call Reports and Extended Filing Dates for 2014.

E&I Responsibilities

- Identify credit unions that miss a Call Report deadline
- Provide a list of credit unions that miss a Call Report filing deadline to regional offices and state supervisory authorities (generally within two weeks of the regulatory deadline) requesting:
  - Comments for information about any known issues related to the late filing
  - Recommendations on assessing a civil money penalty
  - Information about any SSA fines being assessed, including amount(s) (SSA only)
- Notify credit unions that miss a Call Report filing deadline and process correspondence, including signed stipulations and consents for penalties, as well as orders of assessments
- Adjudicate uncontested civil money penalties for Call Report late filers (director only)
- Decide on requests from credit unions for reduced or waived penalties
With OGC assistance, initiate proceedings before an administrative law judge for cases that cannot be resolved by consent (director only)

Send received civil money penalty payments to the Department of the Treasury for deposit

Only the E&I director can make a final decision to waive or reduce a Call Report civil money penalty.

Region DOS Director Responsibilities

Respond to E&I requests for comments on any known issues related to the late filing of a Call Report in the timeframe provided (generally, two weeks)

Regional Director (can delegate to ARD)

Authorize field staff to file an estimated Call Report if they determine that a credit union’s Call Report will be delayed more than 14 days beyond the regulatory limit established by the NCUA
  - The Regional Director must notify E&I when exercising this authority.

Field Staff Responsibilities

Notify the regional office of any known issues or pertinent history when they receive notification that a credit union has missed the Call Report deadline

If authorized in advance by a Regional Director, ARDO, or ARDP, file an estimated Call Report on behalf of a credit union
  - Staff must follow any directions provided by E&I for filing an estimated Call Report.

Field staff cannot extend the regulatory Call Report filing deadline for any reason.

Civil Money Penalty Waiver

The E&I Director has the delegated authority to reduce or waive a CMP issued due to late filing of a Call Report. The NCUA may elect not to assess a penalty if
a credit union files late due to extenuating circumstances such as:

- “Acts of God” such as:
  - A natural disaster or weather event that impairs a credit union’s operation
  - A power failure, internet failure, or failure of a credit union’s core-processing system immediately prior to or at the filing deadline
  - The death or physical/emotional incapacitation of a key employee (only acceptable if a credit union is too small to have back-up personnel)
  - Turnover of a key position just prior to the deadline (only acceptable if a credit union is too small to have back-up personnel)

- Robbery of a credit union that impairs the credit union’s ability to file on time

- A CUOnline filing problem unique to a credit union, not including an error or warning that a filer does not know how to clear or answer (must be supported by a help desk ticket time/date stamped near, but prior to, the filing deadline)

- Credit union, SSA, or the NCUA accidentally unsubmit a Call Report after successfully submitting it prior to the deadline

- Merger with another credit union

- Liquidation or conservatorship

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**Status Update**

Field staff will use the Status Update template to document a credit union’s compliance with outstanding administrative actions (LUA, PWL, etc.) and net worth restoration plans. For each document, field staff should provide a separate Status Update. For example, if a credit union has an outstanding LUA and NWRP, field staff will create two Status Update templates, one for each of the outstanding documents.

At a minimum, field staff will include each outstanding corrective action or goal and the most current status of each in the Status Update.
When upgrading a credit union from a CAMEL 4 or 5, or removing an LUA, field staff must complete the status report.

Special Assistance Cases

Various types of special assistance are available to help resolve serious credit union problems. Refer to NCUA Instruction 4820, Enforcement Manual for guidance on special assistance available.

Control Reports

Control reports serve as a mechanism to ensure the NCUA has a robust examination program that is properly resourced and monitored for adherence to national examination and quality standards.

E&I Control Reports

E&I will routinely request reports from the regions and may periodically request a sampling of issued administrative actions for quality control purposes as part of an ongoing quality assurance process.

E&I will review regional activity as a means of tracking regional and national trends for resource, consistency, and policy formation purposes and will issue a semi-annual national summary of administrative actions.

Regional Control Reports

The region is responsible for maintaining record of all informal and formal administrative actions including, but not limited to, issued RDLs, LUAs and PWLS. The report will include administrative actions newly issued, currently outstanding (with the exception of Regional Director letters), and those canceled (when applicable) since the last report. The region will periodically evaluate the trends, appropriateness and effectiveness of administrative actions.¹

¹Until a national database/tool is developed, regions will continue to use reporting systems currently in place. Regions will ensure their current systems capture the requested information.
Regions are only responsible for reporting Regional Director letters associated with an examination or supervision contact report and part of the administrative record.

Templates
- Regional Director Letter Sample

Troubled Condition Status
- Notify FISCU of Troubled Condition
- Upgrade FISCU from Troubled Condition Status

Letter of Understanding and Agreement
- Acknowledge LUA and CAMEL Downgrade
- LUA Addendum
- LUA Cover Letter
- Non-published LUA
- Remove LUA

Preliminary Warning Letter
- PWL Sample
- BSA-Specific PWL
- PWL Removal Samples

Last updated July 29, 2015
Sample: Regional Director Letter

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Template: Notify FISCU of Troubled Condition
Template: Upgrade a FISCU from Troubled Condition

Status
Template: Acknowledge LUA and CAMEL Downgrade
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Template: LUA Removal
Audits and Recordkeeping

Supervisory committee audits are required under part 715 or part 741 of the NCUA's regulations. They are a critical tool used to evaluate the integrity and fairness of the financial statements. They provide assurance of the reliability of the financial statements used by credit union management, members, creditors, insurers, and the NCUA. These financial reports are the basis for risk identification and offsite monitoring of the credit union system. Chapter 5 of the Examiner's Guide provides detailed discussion of Supervisory Committee Audits, instructions for reviewing the audit and engagement letter, and information on the review of member account verifications.

Recordkeeping is the process of recording and maintaining sufficient information to trace all transactions to a point of origin. An effective recordkeeping program is bolstered by strong internal controls and facilitates the audit process. Audits rely on financial records to validate data integrity, identify inaccuracies, and decrease the risk of fraud.

Field Staff Responsibilities

The most recent NCUA Instruction 5000.20, Examination Scope, outlines expectations for reviewing audit workpapers.

Audit Firms Located Outside the Geographic Area

Per § 715.10 of the NCUA regulations, the SC is responsible for preparing and maintaining, or making available, a complete set of original working papers supporting each Supervisory Committee audit. The SC will, upon request, provide NCUA staff unconditional access to such working papers, either at the offices of the credit union or at a mutually agreeable location, for purposes of inspecting such working papers.

In the event the audit firm is located outside the geographic area of the credit union and the examiner determines it would be advantageous for another region and/or group to review the audit work papers at the firm’s office, examiners will request assistance from another group or region through the supervisor. Examiners from the requested supervisor group will be responsible for
reviewing the independent state-licensed accountant’s audit work papers and providing a report summarizing the review to the EIC.

Audit Report Review

Field staff are responsible for reviewing a credit union’s Profile each quarter during the Call Report, RADAR, or RATE review to determine whether the credit union has received a new audit that fulfills the requirements of part 715 or part 741 of the NCUA’s regulations. If the Profile indicates a new audit has been completed, field staff will request a copy of the audit within 10 business days of reviewing the Profile.

Obtaining an Audit Report

For audits performed by the Supervisory Committee, examiners will obtain the audit report directly from the Supervisory Committee.

For audits conducted by external auditors, examiners need to obtain a copy of the audit report directly from the external auditor. Unless there is an existing arrangement between the credit union, field staff, and the auditor, or an existing working relationship field staff has with the auditor, field staff should first contact the Supervisory Committee to determine the Supervisory Committee’s preference for making the request of the external auditor - that is, would the Supervisory Committee prefer to make the request, or needs to because the audit firm will not release the audit report otherwise, or is it okay for field staff to contact the auditor directly to make the request.

The external auditor needs to send the audit report directly to the examiner. Credit unions and external auditors may choose to deliver audit reports using the RIVIO clearinghouse, a service provided by CPA.com. This service allows for credit unions to authorize the release of audit reports from external auditors directly to examiners or other third-parties. Audit reports obtained through RIVIO are authentic and unaltered. Audit reports done by ‘other compensated individuals’ who are not state licensed can be obtained through RIVIO using the same method.

In some cases, an external auditor will not provide an audit report directly to the examiner or use RIVIO, but is willing to confirm authenticity of the report on a joint communication. In this circumstance, the following steps are acceptable:
1. The external auditor must email the final audit report to the Supervisory Committee chair as an attachment.

2. The Supervisory Committee chair must forward the email, with attachment, back to the external auditor and copy the NCUA examiner. In the email, the Supervisory Committee chair must acknowledge receipt of the report and request confirmation that the attached report is authentic and unaltered.

3. The external auditor must respond to the Supervisory Committee chair's email, keeping the audit report attached, and copy the NCUA examiner to confirm that the report received in the forward has been reviewed and is authentic and unaltered.

If an auditor refuses to provide an audit report directly to the examiner at the request of the Supervisory Committee or wants to charge a fee to provide a copy, examiners should consult with their supervisor regarding a course of action (such as ensuring the credit union is okay with the fee). It is not unusual for an auditor to charge fees for the time needed to obtain and or review a report, or to facilitate a review of a report or workpapers at the external auditor’s office.

**Reviewing the Audit Report**

Upon receiving the report, field staff will read the audit report to determine if there are any problems with the credit union. Field staff should adjust supervision plans and exam scoping as applicable, and follow up on any material problems identified by discussing them with the Supervisory Committee or credit union management and/or scheduling a supervision contact as warranted.

**A review of the audit workpapers is not required as part of the review of the audit report required under this policy.** As part of offsite supervision or pre-exam planning, the NCUA has the discretion to request and review the audit workpapers at any time – however, the external auditor may require them to be reviewed onsite.

The time associated with requesting and reviewing an audit report under this policy can be charged to offsite supervision or pre-exam planning.
Documenting the Audit Report

Field staff will document that they have reviewed the audit report in the credit union’s RADAR or RATE during the scheduled quarterly review cycle. If field staff receive a requested audit report after the quarterly review cycle closes, they should document their review in the next scheduled RADAR or RATE review cycle. If an audit report relays material concerns that require an immediate onsite contact, examiners should note the concerns RADAR or RATE and contact their supervisor to schedule an onsite contact.

Examiners may also upload an offsite supervision contact in AIRES to document any concerns noted in the audit report that cannot be fully documented in RADAR or RATE, provided such issues do not require an immediate onsite contact.

Unacceptable Audits and Member Account Verifications

Examiners will consider an audit or verification unacceptable and develop plans of action when they determine:

- Material parts of the audit or verification were not done
- Material parts of the audit or verification are not supported by work papers
- Material areas of credit union operations were not audited
- The auditor lacks independence from the credit union

Examiners

Examiners who discover material Supervisory Committee audit/Member Account Verifications deficiencies conducted by the SC or an external auditor that is not a licensed independent auditor or certified public accountant will:

- Contact their supervisor
- Determine if the audit can be cured timely (if not, discuss alternatives with their supervisor)
- Rate transaction risk as “high” or document the rationale for a different risk rating
- Denote this a major area of concern in the Examination Overview
• Prepare a DOR which provides a reasonable time period for the SC to correct the deficiencies, not longer than 120 days from the completion date of the exam, not longer than 120 days from the completion date of the exam

• Require the SC to provide a monthly status report of their progress to the examiner

• Document deficiencies in the audit or Member Account Verification as a problem code using the DOR module

• Complete a follow-up supervision contact within 60 days of the DOR due date
  • The supervisor must approve any extension beyond 60 days with notification to the ARDP.
  • The examiner must document any extensions in the Confidential Section during the next contact.

If the audit or Member Account Verifications remains unacceptable, examiners will proceed in accordance with § 715.11 of the NCUA regulations to obtain an acceptable audit or Member Account Verifications following the guidelines in chapter 5 of the Examination’s Guide.

Recurring deficiencies for audit and Member Account Verifications are grounds to proceed to administrative actions. Examiners can consult with their supervisor to develop a more stringent supervision plan if needed. Additionally, the CAMEL Management component and overall rating should reflect management’s recurring non-compliance with this critical internal control area.

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Last updated January 22, 2018

Audits by Licensed Independent Accountants

Examiners cannot take independent action in the event a financial statement audit by a state licensed independent accountant is unacceptable. NCUA Instruction 4016.1, Obtaining Concurrence and Advancing an Assertion That an Opinion Audit or Agreed-Upon Procedures are Unacceptable in Meeting NCUA Audit Regulations, sets out procedures required to rate a state licensed independent accountant audit unacceptable and requires Regional Director approval and E&I concurrence. The supervisor will evaluate the seriousness of the deficiency and if it is sufficient to warrant a rejection of the audit, the super-
visor will contact the regional office and proceed in accordance with NCUA Instruction 4016.1.

An examiner can take exception with the Supervisory Committee if the state licensed independent accountant performed agreed upon procedures rather than a financial statement audit, in the circumstance that the scope of work for which the Supervisory Committee contracted does not meet the requirements of part 715 of the NCUA's regulations or the Supervisory Committee Guide minimum procedures.

If the licensed independent accountant denies access to the work papers, examiners will contact the chairman of the Supervisory Committee to report the situation and ask for assistance in resolving the problem. If unsuccessful, examiners will contact the supervisor for guidance. Examiners should never sign any document or release to gain access to the work papers unless OGC has reviewed the release and advises signature. E&I can assist examiners and supervisors in obtaining OGC review in a timely fashion.

**Significant Recordkeeping Concerns**

Significant recordkeeping concerns include any other issue that presents an unacceptable degree of risk including:

- Incomplete bank reconciliements or over 60 days in arrears
- Records materially in arrears or significant unreconciled differences (including AIRES share and loan download not tying back to member trial balance)

When an examination or supervision contact reveals significant recordkeeping concerns, examiners will:

- Notify their supervisor
- Review material general ledger accounts including, but not limited to, loans, member deposits, cash, investments, subsidiary ledgers, and the Call Report
- Rate transaction risk as “high,” or document the rationale for a different risk rating
• Denote this as a major concern in the Examination Overview

• Prepare a detailed DOR, using the DOR module, with a resolution date of 180 days or less (for FISCUs, also provide the DOR to the SSA prior to completion of the contact)

• Require the SC/designated person to provide monthly status reports electronically or by phone
  • Reports should note the progress made to remedy the record-keeping problems
  • Examiners will maintain a Supervision Chronology Report of these contacts to be included in subsequent AIRES uploads (and for submission to their supervisor, if requested)

• Start an onsite follow-up supervision contact within 90 days of the NCUA’s last contact completion date and an onsite supervision contact every 90 days thereafter, until all problems are resolved
  • The supervisor must approve any extension beyond 90 days in writing and notify the ARDP and DOS
  • The examiner must document any extensions in the Confidential Section

Incomplete Bank Reconcilements or Over 60 Days in Arrears

If the bank or corporate reconcilements are incomplete (unreconciled) or in arrears greater than 60 calendar days, in addition to the steps outlined in the previous section, examiners will:

• Determine the cause and evaluate the scope of the potential problem

• Reach agreements with management to bring the reconcilements current, usually within 30 calendar days, and involve the SC in this process

• Consider requiring an outside independent accountant to bring reconcilements current, especially if the SC is not active or does not possess the skills to adequately review the bank reconcilement process

Records Materially In Arrears or Significant Unreconciled Differences

Examiners must use judgment in assessing material recordkeeping problems. In some cases, the size of the unreconciled differences may not reflect the
scope of the problem, particularly if the control environment lacks integrity. If records are materially in arrears or there are significant unreconciled differences, examiners will discuss with their supervisor whether to:

- Extend the examination/supervision contact up to 30 calendar days if the records cannot be brought current during the examination. If this option is taken, examiners will note the reasons why the examination was extended and the supervisor's concurrence in the Confidential Section, or

- Complete the examination using the most current data available. If this option is taken, examiners will note in the Confidential Section whether officials agreed to the correct recordkeeping concerns.

This discussion is in addition to the steps examiners should take for a credit union that has significant recordkeeping concerns listed above.

If the recordkeeping problems are serious and persistent as defined in §715.12(c) of the NCUA regulations, the EIC may compel a federal credit union to obtain a financial statement audit performed in accordance with GAAS by an independent person who is licensed by the State or jurisdiction in which the credit union is principally located. If the supervisor and EIC determine that an opinion financial statement audit is necessary, the supervisor will notify the ARDP.

If offsite monitoring and/or supervision contacts reveal major areas of concern with ongoing recordkeeping, audits, or verification of members’ accounts that have not been properly resolved within 180 days, the EIC will consult their supervisor and determine what administrative action is to be taken.

Examiners will document offsite/onsite contacts by using the appropriate methods (AIRES, Confidential Section, etc.) and indicate the progress and actions taken.

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**Addressing Bond Claims**

If the credit union has a bondable loss and has not provided the appropriate notice to the surety company or refuses to do so, examiners will notify their supervisor. The supervisor will discuss the issue with the ARDP or ARDO as appropriate and a decision will be made regarding the NCUA notifying the surety company of a potential bond claim.

During contacts, examiners should:
Determine whether a bond claim is outstanding, established as a disclosure item (footnote to the financial statements) or a receivable, remains on the books as a loan, other account, or a disclosure, or has been written off

Determine whether the surety company has committed to paying the claim; and, if so, the amount of the commitment

Direct the credit union to write off any claims, or portions of claims, considered losses even if this will cause a deficit or insolvency. In evaluating the collectability of claims, examiners will consider:
- Surety companies do not pay for lost interest or lost opportunity income
- The credit union must have incurred a loss for a valid claim to exist
- An examiner’s adjusting journal entries in AIRES must properly reflect the bond claim as an accounts receivable, or loss, after the surety bond company has confirmed the outcome of the claim in writing

Examiners should contact their supervisor when they identify material bond claims or when adjusting entries will cause a deficit in undivided earnings or insolvency. At a minimum, examiners should document shortages in the scope and other sections as appropriate.

**Determine Bondability Status**

In some instances, it may be necessary to determine the bondability status of a credit union employee or official. This procedure is usually reserved for fraud, insider dealings, or when we have completed a prohibition and want to check if the individual’s bond has been revoked (open claims typically will not yet have a determination, especially if no criminal charges are involved).

Examiners will work with the appropriate credit union staff to determine the bondability status of a credit union employee or official. Examiners may also evaluate the credit union’s process for verifying bondability of all employees. Credit unions should be evaluating each employee during the hiring process to ensure they are bondable and maintain a record of this verification to provide to NCUA examiners (and other outside auditors) when requested. If a credit union has not completed this process and/or cannot provide documentation,
the examiner should address the issue in the examination report, as appropriate.
BSA Enforcement

This section of the NSPM is designed to equip examiners with information regarding their role in enforcing the Bank Secrecy Act in credit unions. It sets forth a framework for a high quality BSA examination program in an effort to mitigate credit unions’ compliance risk and ensure federally-insured credit unions comply with all applicable regulations.

References

- Federal Financial Institutions Examination Council’s *BSA Anti-Money Laundering Examination Manual*
- *Financial Crimes Enforcement Network* (FinCEN)
- FinCEN Ruling 2005-6, *Suspicious Activity Reporting (Structuring)*
- FinCEN Memorandum Of Understanding
- NCUA Instruction 12400.05, *Processing Complaints Against Credit Unions and Documenting Compliance Violations* (April 23, 2004)
- NCUA website regarding BSA
- Chapter 18 and Appendix 18A of the Examiner's Guide
- Interagency Statement on Enforcement

Suspicious Activity Report (SARs)

When to File an SAR

Credit unions are required by federal regulations to file a SAR with respect to:

- Criminal violations involving insider abuse in any amount
- Criminal violations aggregating $5,000 or more when a suspect can be identified
- Criminal violations aggregating $25,000 or more regardless of potential suspect
- Transactions conducted or attempted by, at, or through the credit union and aggregating $5,000 or more, if the credit union knows, suspects, or has reason to suspect that the transaction:
  - May involve potential money laundering or other illegal activity (for example, terrorism financing)
  - Is designed to evade the BSA or its implementing regulations
  - Has no business or apparent lawful purpose or it not the type of transaction that the particular member would normally be expected to engage in, and the credit union knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction

**SAR Filing Information**

Credit unions must file all SARs electronically through the Financial Crimes Enforcement Network (FinCEN) [BSA E-Filing website](https://www.fincen.gov/bsa-e-filing). The SAR rules require that a SAR be filed no later than 30 calendar days from the date of the initial detection of facts that may constitute a basis for filing a SAR. For situations requiring immediate attention, the credit union should immediately notify the appropriate law enforcement authority in addition to filing a timely SAR. If the credit union suspects that a transaction may be linked to terrorist activity, the credit union should immediately call the FinCEN Financial Institutions Hotline at (800) 556-3974.

Examiners: will review SAR filing processes during examination/supervision contacts and focus their review on the credit union’s’ process for detecting suspicious activity. Examiners will also review newly filed SARs for appropriateness and compliance with FinCEN’s regulation. Should the officials fail to act, examiners will notify their supervisor. The supervisor will notify the ARDP who will consult with OGC regarding appropriate administrative action.

E&I will periodically review significant SAR filings to identify potential national risk trends.

*Last updated December 30, 2016*
Requesting a Currency Transaction Report, Suspicious Activity Report, or Designation of Exempt Persons History

Examiners can request a list of the CTRs, SARs, and DOEPs a credit union has filed by sending an e-mail to the regional DOS mailbox with the full name, address, and credit union Employer Identification Number (EIN). When requesting a download from DOS, examiners should include a specific time-frame for the request (for example, Jan. 1, 2011 – Oct. 1, 2011).

Examiners may obtain the list of CTRs, DOEPs, and SARs filed by a credit union before starting an examination as a scoping tool for the BSA review. A change in filings (decrease or increase) could be an indicator of a problem and may require attention during the examination. The information may be sorted in various ways to enable examiners to identify trends of certain customers or accounts, which could warrant further review during the examination.

Examiners should also verify that the credit union has actually filed CTRs or SARs with the appropriate agency, particularly when there is insider activity.

BSA Enforcement

When an examiner identifies material BSA program deficiencies and/or compliance violations, targeted enforcement will be implemented to resolve
supervisory concerns timely. In implementing enforcement action, examiners will:

- Attempt to have the credit union resolve deficiencies during the examination process
- Document the review using the AIRES BSA questionnaire, examination scope, and supporting work papers as needed
- Identify, track, and resolve significant BSA violations - this includes issuing a PWL or similar administrative action as necessary
- Complete the Consumer Compliance Violations module in AIRES with the appropriate citation if applicable (report all significant BSA violations as regulation code BSA-S)
- Discuss BSA violations in the open section of the report
- Prepare a DOR, if applicable
- Indicate the appropriate level of compliance and other risks in the Scope module
- Ensure the adequacy of the credit union’s BSA program is considered when assessing and rating management
- Document resolution of BSA violations through the Consumer Compliance Violations module in AIRES
- Report discovery of money laundering activities or other high-profile BSA violations to DOS through their supervisor

Your primary resource is FFIEC’s Bank Secrecy Act/Anti-Money Laundering Examination Manual.
BSA Violations

AIRES Consumer Compliance Violations Module

Examiners must complete the Consumer Compliance Violations module in AIRES for BSA violations that have been identified during the examination/supervision contact. In completing the module, examiners should:

1. Combine multiple violations of the same regulation into a single citation within the module.

2. Utilize the CFR citation over the equivalent NCUA regulatory citation wherever possible.

3. Identify all significant BSA violations as “BSA-S” in the Regulation code column.

4. 

5. Identify the management response taken using the drop-down menu within the module. These responses play a critical role in the regional office’s tracking of resolved BSA-S violations.

BSA Violations in Corporate Credit Unions

For examinations of corporate credit unions, ONES examiners will include BSA violations in examination reports as examiner findings or documents of resolution, as appropriate using the general guidelines in this section of the NSPM. ONES will manually report corporate BSA violations to E&I each month using an approved spreadsheet.
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BSA Enforcement

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Resolution of Significant BSA Violations

- Federal credit union
- FISCU

Federal Credit Unions
DOS provides supervisors a report of outstanding BSA violations each quarter. For significant BSA violations outstanding an unreasonable length of time, supervisors should follow-up with examiners to assess the status of corrective action.

Based on the severity of the violation, the timeframes for administrative action can be accelerated. Section 206 of the Federal Credit Union Act contains a list of applicable administrative actions.
FISCUs

SSAs conduct BSA examinations at FISCUs. Regional Directors may reach agreements with SSAs for NCUA examiners to conduct the BSA examination at FISCUs. These agreements will vary based upon the SSA.

The NCUA has the enforcement authority for FISCUs examined by the NCUA (SSA has authority to review). “Examined” refers specifically to WCC 11s. If, during another type of contact, an NCUA examiner identifies unresolved BSA concerns or concerns not identified by the SSA, he or she should expand the scope of the review to include BSA and follow up to ensure BSA resolution.

During joint examinations, NCUA examiners can allow the SSA to review BSA, but the NCUA examiner must review the SSA’s work for sufficiency. If the review performed by the SSA is insufficient, the NCUA examiner should amend the review. The NCUA examiner must also ensure that:

- Consumer Compliance Violations module includes the appropriate regulation for BSA violations
- Required BSA questionnaires are completed
• Consumer Compliance Violations module and BSA questionnaires are included in the NCUA WCC 11 or WCC 23 examination upload.

If a state report lacks adequate agreements for corrective action or the SSA is not adequately resolving the issue(s), examiners will recommend the supervisor (or Regional Director) communicate with the state, take appropriate action, and document the outcome in a memo to DOS. For significant BSA violations outstanding an unreasonable length of time, supervisors should follow up with the respective SSA to assess the status of corrective action. In rare instances, examiners may need to contact the credit union directly to assess resolution status. As a last resort, examiners should discuss with their supervisor as to whether formal correspondence to the SSA is required.

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Reporting the Resolution of a BSA Violation

Examiners must supervise a credit union’s progress to ensure the timely resolution of significant BSA violations. Resolution encompasses the correction of the noted BSA violation(s) and the implementation of adequate controls to mitigate the potential for similar violations.

When significant BSA violations have been adequately corrected, examiners must upload an AIRES file with the Consumer Compliance Violations module properly completed.

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BSA Control Reports

Control reports serve as a mechanism to ensure the agency has a robust examination program that is properly resourced and monitored for adherence to national examination and quality standards.
Regional BSA Control Reports

Regional Directors are responsible for measuring and monitoring the BSA examination program for quality and completeness, as well as adherence to established standards. The regions are responsible for reviewing and ensuring BSA violations are cited appropriately and correctly. At a minimum, the regions will be responsible for maintaining and reporting:

- Monthly report to E&I of all significant BSA violations with associated resolution dates cited in FICUs
- Log of all BSA violations outstanding for more than 90 days with status reported to E&I quarterly
- Monthly report to E&I of all administrative actions taken relating to BSA violations
- Quarterly responses to E&I regarding the accuracy of BSA violations cited (when applicable)
Change of Officials for Troubled and Newly Chartered Credit Unions

Under § 701.14 of the NCUA regulations, a federally insured credit union that meets certain conditions (see the Affected Credit Unions section of the NSPM) must obtain the Regional Director's approval for personnel changes (board of directors, credit or Supervisory Committee, or senior executive officer) at least 30 days prior to the effective date of the change, or within 48 hours of election at an annual membership meeting. For state-chartered federally insured credit unions, the NCUA will consult with the appropriate SSA before making a final decision.

The regulation requires written notice from the credit union and Regional Director approval before an individual can begin service at the credit union. The only exceptions to this requirement are if a credit union requests, and the Regional Director waives, prior notice (§ 701.14(c)(2)(i)) and in the case of the election of a new member of the board of directors or credit committee member (§ 701.14(c)(2)(ii)).

In the case of a newly elected member of the board of directors or credit committee member, the 30-day prior notice is “automatically waived” and the individual may begin serving but, within 48 hours, a complete notice as required under the regulation must be submitted to the Regional Director. If a Regional Director grants a prior notice waiver or in the case of a new elected director or credit committee member, the Regional Director can still deny the individual and will have 30 days after receipt of the notice and information.

DOS Responsibilities

Initial Notice Procedures

Within ten calendar days after receiving the notice, the Regional Director will acknowledge the application (if it is complete) or request that the credit union submit specific additional information within 30 calendar days.

Receipt of Incomplete Package

- Regional Director will issue a written decision within 30 calendar days of receipt of the original notice, plus the amount of time the credit union
takes to provide requested additional information
- If additional information is not submitted within 30 calendar days of the Regional Director’s request, he or she may either deny the proposed individual or review and take action on the notice based on the information provided

**Receipt of Complete Package**

- Upon receipt of a complete package, DOS will
  - Obtain a credit report
    - If the report contains adverse credit information, the Regional Director will issue a letter to the applicant encouraging them to provide an explanation.
    - DOS will provide the applicant a copy of the credit report containing the adverse credit information via certified mail to the applicant’s private address. The credit union will not be copied on this correspondence.
  - Email the application, credit report, and other information to the supervisor (with a courtesy copy to the examiner) requesting a recommendation for approval or denial
  - Conduct a review of the Suspicious Activity Report database to determine if additional investigation into the applicant’s background is warranted.
    - Regions may request that OGC perform a criminal background search on the applicant if determined necessary. However, regions should keep in mind that the results of the criminal background search may not be available until after the statutory response date passes. This does not allow the statutory response date to be extended.
  - Regional Director will issue a written decision of approval or denial to the individual and the credit union within 30 calendar days of receipt of the notice
    - The Regional Director will use the applicable template:
      - Pre-Adverse Action Disclosure Letter
      - Deny Change of Officials Due In Part to Adverse Credit
Field Staff Responsibilities

- The examiner will recommend approval or denial and email the recommendation to their supervisor.
  - The supervisor reviews the examiner’s recommendation. Following the standard outlined in the NSPM, the supervisor will email a final recommendation to the regional office.

- The examiner, supervisor, or DOS may request a criminal background search on the individual if concerns arise during a review.

Affected Credit Unions

- Chartered within the past two years
- For FCUs assigned a CAMEL composite rating of 4 or 5 by the NCUA or, for FISCUs, an equivalent of CAMEL 4 or 5 by either the NCUA (after an onsite contact) or its state supervisor; or
- Credit unions granted assistance under § 208 of the Federal Credit Union Act that remain outstanding and unextinguished

Required Information

A credit union must submit both a Notice of Change in Official or Senior Executive Officer (NCUA Form 4063) and an Individual Application for Approval of Official or Senior Executive Officer (NCUA Form 4063a) to obtain the Regional Director’s approval for the replacement of certain credit union employees and all officials.

The Individual Application for Approval of Official or Senior Executive Officer will be completed and signed by the individual for whom the credit union is seeking approval. FISCUs shall also file a copy of these forms with their state supervisor.

Approval Process

Upon receipt of the examiner’s recommendation, DOS will review and analyze the recommendation for appropriate support and justification.
If DOS and/or the Regional Director do not agree with the field recommendation, the supervisor will be contacted to discuss further, as time permits. The field will be given the opportunity to further support or revise their recommendation. DOS finalizes the response letter for the Regional Director and upon signature, mails it to the credit union via expedited mail and copies both the examiner and supervisor.

If the application is approved, DOS will send a letter informing the individual of the NCUA’s approval of employment or official association with the credit union with a copy to the credit union, examiner, and supervisor.

### Approval Timeframes

Approval of a change of official is automatic if a completed application is not denied within 30 days of receipt.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Description</th>
<th>Timeframe</th>
<th>Automatic Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>§ 701.14 c(2)(i) Waiver of Prior Notice – Change in Official or Senior Executive</td>
<td>Parties may petition the appropriate Regional Director for a waiver of the prior notice required. Waiver may be granted if it is found that delay could harm the credit union or the public interest.</td>
<td>None</td>
<td>No</td>
</tr>
</tbody>
</table>

### Waiver of 30 Day Notification Requirement

In some instances, a credit union may request a waiver of the 30 day advance notification requirement and fill a vacancy until the region has time to process their application package. In these cases, the regional office can issue a letter with an interim approval until the region has time to process the request. (Use the Waive 30-Day Notification Requirement template.)

No waiver request is required for newly-elected members of the board or directors or credit committee. These individuals may begin serving immediately so long as the credit union files a complete notice within 48 hours of the election.
Grounds for Denial

The Regional Director will provide specific reasons for denial based on the authority of §701.14(e) of the NCUA's regulations. All disapprovals require OGC concurrence. The Regional Director should forward any draft disapproval letter to OGC for review and concurrence at least ten calendar days prior to the expiration date for the Regional Director to respond to the application. Given the short timeframes for acting on these requests regional office staff may contact OGC for assistance at any point during their review process.

The Regional Director will weigh the factors listed below, and will deny the request if, on balance, the issues relating to the individual's competence, experience, character, or integrity are such that it is not in the best interest of the credit union's members or the public for the individual to be employed by or associated with the credit union.

Factors which may support denial include, but are not limited to:

- Criminal convictions
  - Certain criminal convictions may result in an automatic prohibition under §205(d) of the Federal Credit Union Act and eliminate any need for any review pursuant to §701.14 of the NCUA's regulations. Other criminal convictions may not. Regional office staff should contact OGC whenever an applicant has a criminal conviction.

- Unsatisfactory work performance in the financial sector

- Lack of work experience in relevant areas of financial management

- Poor personal financial condition or credit history, particularly as it relates to losses caused to financial institutions

- Omission of significant information relevant for job consideration

The mere presence of one or more of these factors in a particular case should not automatically result in disapproval. Rather, when determining whether these or other factors are disqualifying it is important to consider whether, given the specific circumstances surrounding the potentially disqualifying factor, it has a sufficient nexus to the competence, experience, character or integrity necessary for the particular position so as to be disqualifying.

Part 713 of the NCUA's regulations requires certain minimum bond coverage for credit union employees and officials. Therefore, if an applicant is unable to
secure the required minimum coverage they may not serve and there is no need for any review under § 701.14(e).

If the application is not approved, DOS will send a copy of the appropriate denial letter to the credit union, the examiner, and the supervisor by using their preferred expedited mail delivery service. DOS will also send the individual a separate denial letter. The letters will:

- Summarize the reasons for denial, providing specific reasoning as to why the application is denied. When the applicant provides an explanation for potentially disqualifying information any denial should discuss why on balance these mitigating factors are insufficient.

- Inform the credit union and the individual of their rights to file a written request for reconsideration to the Regional Director within 15 calendar days of receipt of the notice of denial, or file an appeal directly with the NCUA Board.

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### Request for Reconsideration and/or Appeal

As stated in the NSPM, the NCUA will inform a credit union of its option to request reconsideration by the Regional Director or the option to appeal the decision directly to the NCUA Board in a denial letter. A credit union’s request for reconsideration must:

- Be submitted to the Regional Director in writing.
- Include any relevant previously omitted material and/or relevant doc-
documents not previously available

- Contain the specific reasons why the NCUA should reconsider the denial

Examiners should not discourage a credit union from filing an appeal. There is a 15-day window to file an appeal following notice of denial. The credit union may appeal the decision before or after requesting Regional Director reconsideration. Part 747 (subpart J) of the NCUA's regulations provides guidance for the appeal.

Application Withdrawal

If a credit union chooses to withdraw an application, the regional office will use the Acknowledge Request to Withdraw Application template to create a response acknowledging that the NCUA is aware of the credit union's withdrawal.

Templates

- Respond to Incomplete Application
- Acknowledge Complete Application
- Waive 30-Day Notification Requirement
- Approve Change of Officials
- Deny Change of Officials Due In Part to Adverse Credit
- Deny Change of Officials Due In Part to Adverse Credit - Applicant Letter
- Deny Change of Officials Not Due to Adverse Credit
- Deny Change of Officials Not Due to Adverse Credit - Applicant Letter
- Pre-Adverse Action Disclosure Letter
- Acknowledge Request to Withdraw Application
Template: Respond to Incomplete Application for Change of Officials
Template: Acknowledge Complete Application for Change of Officials
Template: Deny Change of Officials Due, In Part, to Adverse Credit
Template: Deny Change of Officials Due, In Part, to Adverse Credit (Letter to Applicant)
Template: Deny Change of Officials Not Due to Adverse Credit
Template: Deny Change of Officials Not Due to Adverse Credit (Applicant Letter)
Template: Change of Officials Pre-Adverse Action Disclosure Letter
Template: Acknowledge Request to Withdraw Application for Change of Officials
Corporate Credit Union Program and Procedures

The NCUA Board created the Office of National Examinations and Supervision in July 2012, leveraging seasoned national examiner and specialist resources to evaluate key risk areas and risk management practices in corporate credit unions and the largest consumer credit unions. ONES is responsible for overseeing corporate credit unions (corporates) and, as of January 1, 2014, consumer credit unions with $10 billion or more in assets.

This section of the NSPM describes situations unique to corporates for consideration in fulfilling ONES’s examination and supervision responsibilities.

ONES Mission

ONES ensures the safety and soundness of all corporates and consumer credit unions with assets of $10 billion or more by:

- Providing timely and effective advice to the NCUA Board on legislative, regulatory, and operational issues.
- Developing, implementing and maintaining examination and supervisory policies and procedures that timely address corporate issues in an evolving financial market.
- Effectively managing ONES’s resources, the applicable risk to the National Credit Union Share Insurance Fund and the systemic risk to the credit union system.

ONES Policies and Procedures

With the exception of circumstances in which the NCUA regulations (part 704) and the related delegated authorities require other processes or procedures, ONES adheres to the policies and practices outlined in the NSPM for its assigned credit unions. ONES staff will follow the general responsibilities, procedures, and requirements in the Regulatory Waivers and other Regulatory Actions section of the NSPM to process waivers, changes of officials, and other regulatory requests.

ONES staff should substitute terminology and timeframes as appropriate throughout the NSPM. For example:
<table>
<thead>
<tr>
<th>Standard Term/Language</th>
<th>ONES Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIRES</td>
<td>Corporate Examination Work Center</td>
</tr>
<tr>
<td>5300 Call Report</td>
<td>5310 Call Report</td>
</tr>
<tr>
<td>Quarterly Call Reports, management reporting, trend analysis, etc.</td>
<td>Monthly Call Reports, management reporting, trend analysis, etc.</td>
</tr>
</tbody>
</table>

In instances where ONES is not able to use all of the automated tools for corporate examinations that are available to the regions for consumer credit union examinations, staff should follow existing procedures or processes until corporates are incorporated into the automated systems. For example, ONES staff should use monthly financial analysis of corporate consolidated balance sheet (CBS) trend reports in place of RATE.

Corporate Regulatory Waivers

In general, corporate waiver requests will be processed using the following procedures. Refer to each specific waiver type outlined in this section for unique processing steps.

**DOS Initial Responsibilities (Review Request)**

Upon ONES’s receipt of the credit union’s application, DOS will perform a cursory review to determine if the credit union request is complete.

If a request is complete, DOS will:

- Prepare and send an acknowledgement letter to the corporate using the preferred expedited mail delivery service
- Prepare and send a work assignment to the field requesting a recommendation for approval or denial (package includes credit union’s request, application materials, and supporting documentation)

If a request is incomplete, DOS will:

- Prepare and send an incomplete/denial letter to the credit union using the preferred expedited mail delivery service
  - Ensure the letter lists the additional information the credit union must submit if they would like the request to be considered
• DOS will copy the examiner and supervisor on the letter

Field Staff Responsibilities (Review Credit Union)

The examiner and his or her supervisor will evaluate the corporate’s management, capital level, CAMEL and risk ratings, and financial strength and provide a recommendation whether to grant the request to DOS for processing. The examiner will scale the scope and depth of the review according to the materiality of the waiver request. With supervisor approval, the examiner will determine if an onsite contact is necessary.

After review, examiners will determine if the waiver package is complete. If a waiver package is not complete, the examiner will:

• Draft the appropriate incomplete/denial letter (refer to the templates provided), or

• Informally contact the credit union to obtain the missing information

If a waiver package is complete, the examiner will:

• Complete a Regional Summary to include an approval or denial recommendation

• Draft a letter for approval, partial approval, deferral, or denial

• Email the approval, partial approval, deferral, or denial letter, the Regional Summary, and any other supporting documentation to their supervisor

If recommending denial, examiners will not discourage any credit union from applying for reconsideration or filing an appeal, if applicable.

Supervisor Responsibilities (Process Request)

The supervisor will review the information, provide supporting reasons for concurrence or non-concurrence, and forward the package to the ONES mailbox.

DOS Responsibilities (Process Request)

Upon receipt of the field’s recommendation, DOS will review and analyze the recommendation for appropriate support and justification. Upon concurrence, DOS will:
• Submit the recommendation and proposed response letter to the director for approval and signature

• Mail the signed letter to the credit union using the preferred expedited mail delivery service (copying the examiner and supervisor)

If DOS and/or the director do not agree with the field’s recommendation, DOS will:

• Notify the supervisor of the reason(s) for the lack of concurrence, giving the field the opportunity to further support or revise their recommendation in the Regional Summary

• Draft revised correspondence

• Finalize the response letter for the director’s signature

• Mail the signed letter to the credit union using the preferred expedited mail delivery service (copying the examiner and supervisor)

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**Processing Corporate Requests for Expanded Authority**

Appendix B to part 704 of the NCUA regulations establishes the framework and requirements for managing the additional risk allowed when a corporate applies and is approved for expanded investment authorities. The risks associated with each expanded investment authority are unique; the rule allows a corporate to apply for additional investment authorities it determines is necessary to manage balance sheet risk or to request authority for all expanded authorities.

The NCUA issued *Guidelines for Submission of Requests for Expanded Authority* in December 2011 to help corporates and examiners evaluate credit union compliance with expanded investment authorities (parts I through IV). The guidelines provide additional clarity for the submission of requests for expanded authorities and helps examiners determine the need and qualifications of the credit union that has made a request.

ONES maintains a list of all approved expanded authorities and will provide the list to E&I upon request.
Request Requirements

As described in Appendix B to part 704 of the NCUA's regulations, a corporate credit union’s request for an expanded authority waiver must include:

- Corporate self-assessment plan
- Justification supporting the request
- Draft policies and procedures
- Proposed systems and personnel needed to efficiently and effectively manage the proposed risk activity

A corporate should provide additional information and documentation if it believes it will enhance its self-assessment plan.

DOS will review incoming requests from individual credit unions for completeness prior to forwarding them to the field for review.

Evaluating a Request for Expanded Authority

Examiners and their supervisors are responsible for evaluating the risk posed by an expanded authority request. During the evaluation, the examiner
should:

- Review all pertinent documents
- Consult with the assigned capital markets specialist to determine if an onsite contact is necessary
- Complete the applicable expanded authorities review checklist
- Initiate and send a recommendation memo to approve or deny the request to the ONES mailbox

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**Approving a Request for Expanded Authority**

Additional review and areas of responsibility beyond those outlined in the [Regulatory Waivers and other Regulatory Actions](#) section of this manual are required to approve a corporate’s credit union's participation in expanded authorities as outlined in the table below.

<table>
<thead>
<tr>
<th>Part</th>
<th>Relating To</th>
<th>Approvals Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>NEV volatility</td>
<td>ONES director</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E&amp;I concurrence</td>
</tr>
<tr>
<td>II</td>
<td>Foreign investments</td>
<td>NCUA Board</td>
</tr>
<tr>
<td>III</td>
<td>Derivatives</td>
<td>ONES director</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E&amp;I concurrence</td>
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<tr>
<td></td>
<td></td>
<td>OGC concurrence</td>
</tr>
<tr>
<td>IV</td>
<td>Participation Loans</td>
<td>ONES director</td>
</tr>
</tbody>
</table>

When applicable, DOS will submit a package of information, including a summary memorandum, to E&I, OGC, and the NCUA Board for concurrence or approval.

E&I and OGC will review and analyze the package and make recommendations. Concurrence memos from these offices may include additional actions or considerations a credit union must address as a condition for approval.

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*Last updated July 29, 2015*
After Approving Corporate Expanded Authority

Monitoring

Examiners will ensure the credit union is compliant with the regulations and the requirements for operating under the approved expanded authority.

During each annual examination, examiners will document compliance with the regulation and investment authority requirements. Failure to maintain compliance will result in the revocation of the expanded authority.

Addressing Violations

If the examiner identifies a violation of the authorized expanded authority during a subsequent examination, he or she will document the violation in the examination report and treat it as a major concern. The examination will include corrective action including ceasing the activity in violation of the expanded authority, if necessary.

At a minimum, the DOR will direct the credit union to submit a written plan for resolution to the director. The examiner will evaluate the financial severity or potential risk and make a determination, in consultation with their supervisor, whether to recommend revocation of the expanded authority.

Last updated July 29, 2015

Investment Action Plans

Sections 704.6(h) and 704.10 of the NCUA regulations state requirements for an investment action plan. The NCUA’s expectation is that a corporate credit union will maintain the quality of its investment portfolio in accordance with part 704 by evaluating securities, their issuers, and any counterparties in all investment transactions.

Any corporate credit union in possession of an investment, including a derivative, that fails to meet a requirement of part 704 must, within 30 calendar days of the failure, report the failed investment to its board of directors, Supervisory Committee, and the ONES director. If a corporate credit union does not sell the failed investment, and the investment continues to fail to meet a requirement of part 704, it must, within 30 calendar days of the failure, provide a written action plan described in §704.10 of the NCUA regulations to the ONES director.
An investment is subject to the requirements of §704.10 if the following regulatory requirements of §704.6 have been violated:

- Appropriate monitoring of investment would reasonably lead to the conclusion that the investment presents more than a minimal amount of credit risk, or
- Investment is part of an asset class or group of investments that exceeds the issuer, sector, or sub-sector concentration limits of §704.6

For purposes of measurement, each new credit transaction must be evaluated in terms of the corporate’s capital at the end of the transaction. An investment that fails a requirement of this section because of subsequent reduction in capital will be deemed non-conforming. Corporates are required to exercise reasonable efforts to bring nonconforming investments into conformity within 90 calendar days. Investments that remain nonconforming for more than 90 calendar days will be deemed to fail a requirement of this section, and the corporate must comply with §704.10.

A corporate with a security that is covered by an IAP is subject to monthly monitoring and reporting requirements.

After Approving an IAP

Evaluating Investments, Strategy and Policies

Examiners and their supervisors are responsible for evaluating a corporate’s investment strategy and policies, as well as the specific investments that resulted in the violation of part 704 and the need for the corporate to file an IAP. During the evaluation, the examiner should review all pertinent documents, including both pre- and post-purchase analyses. Examiners, through their supervisors, should make a recommendation to the director to approve or deny the investment action plan. Examiners should consult with the assigned ONES capital markets specialist to ensure appropriate analysis and recommendation.

Monitoring

Examiners will monitor monthly to ensure the corporate is compliant with the regulation and the requirements of any approved IAP. Monitoring will include ensuring that the corporate conducts periodic evaluations to determine the need to continue to hold or sell out of compliance investments.
During each annual examination, examiners will document compliance with the regulation and approved IAP. Failure of a corporate to maintain compliance and meeting reporting requests may result in revocation of an approved IAP.

**Addressing Violations**

If during a subsequent examination the examiner identifies a violation of the approved IAP or additional regulatory violations which were unreported, the examiner will document the violation in the examination report and treat such violation as a major concern. The examination will include corrective action which may include directing the corporate to sell the out of compliance investments.

At a minimum, the DOR will direct the credit union to submit a written plan for resolution to the director. The examiner will evaluate the financial severity or potential risk and make a determination, in consultation with their supervisor, and the director, whether to recommend revocation of the IAP.

If the examiner and supervisor determine the violation of the investment authority does not present a heightened material risk to the corporate credit union and believes the corporate credit union will take appropriate corrective action through examination agreements, examiners will document the waiver violation in the Confidential Section, and provide support for the decision not to recommend revocation.

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**Capital Restoration Plans**

**General Responsibilities**

**Field and Office Responsibilities**

District examiners are responsible for monitoring compliance with the proper filing and maintenance of a Capital Restoration Plan (CRP) under § 704.4 of the NCUA's regulations. The ONES director has delegated authority in the management of the CRP and approval process.

Any undercapitalized corporate credit union is required to have in place an NCUA-approved CRP. An acceptable CRP must specify:
Steps the corporate will take to become adequately capitalized

Levels of capital to be attained during each year in which the plan will be in effect

How the corporate will comply with the restrictions or requirements then in effect under PCA

Types of levels of activities in which the corporate will engage

Division of Supervision Responsibilities

Due to the time sensitivity of CRP packages, DOS should perform a cursory review of incoming packages for completeness, making sure all the required information as outlined in § 704.4(e)(2) is included.

For a substantially incomplete package, DOS will draft a letter to request the missing information and return the CRP.

For a complete package, DOS will:

- Prepare and send a work assignment and with the CRP to the examiner and the supervisor with a required response date at least ten business days before the ONES director’s response deadline
- Prepare and send a letter to the corporate credit union (provide a date by which the director will respond consistent with § 704.4(e)(4))

Processing a Capital Restoration Plan

Federal Credit Union CRP

Upon receipt of a substantially complete CRP package from a FCU, the examiner will contact the credit union to obtain any additional documentation necessary for processing.

Examiners and supervisors must analyze the CRP and provide a written recommendation in a Regional Summary. You can also reference the Corporate Supervisory Instruction 12-01, PCA for Corporate Credit Unions, for additional information.

Examiners must submit a draft letter that outlines approval or denial of the CRP to ONES Mail through their supervisor. Employees can modify the Approve
NWRP/RBP and Deny NWRP/RBP templates for corporate use. If you recommend denying the plan, the letter must list the specific deficiencies in the plan that warrant denial. ONES DOS should ensure the delivery method of the letter to the credit union includes a signature.

**Federally Insured, State-Charted Credit Union CRP**

A FISCU will submit its CRP to the ONES director and SSA. The processing procedures listed for federal credit unions will apply, along with the following steps:

- Supervisors will coordinate all related issues directly with the SSA
- Unless submitted directly to ONES, supervisors will obtain documentation of the SSA’s approval or denial
- DOS will courtesy copy the appropriate SSA on all signed correspondence between the director, DOS, and the FISCU, including any director’s approval or denial letters

**Failure to Submit a Capital Restoration Plan**

DOS will monitor credit unions that fail to submit a CRP and contact the supervisor for a status report if a CRP is not received by the due date.

When any corporate credit union fails to timely file a CRP, the examiner will draft a Regional Director letter using the Notify CU of Need to Submit NWRP/RBP template. This letter gives a credit union 15 calendar days from the receipt of the notice to submit the CRP in accordance with § 704.3(3)(1)(i) of the NCUA's regulations. The supervisor will submit the Regional Director letter to ONES Mail within three business days of receipt. FISCUs require SSA consultation.

| Sometimes a corporate credit union may be in the process of merging or seeking a merger partner. The ONES director can agree to accept a merger plan in lieu of a CRP. However, the director’s approval should be subject to the corporate credit union filing an acceptable merger plan or CRP by a reasonable, but specific, deadline. If the merging corporate is critically undercapitalized or undercapitalized, the deadline should be set to ensure |
compliance with § 704.4(k)(5)(ii) or § 704.4(k)(5)(iii) of the NCUA's regulations.

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**Monitoring a Capital Restoration Plan after Approval**

Examiners will monitor each corporate operating with a leverage ratio less than four percent and provide their supervisor with a monthly update report (ONES DOS will provide the corporate form (similar to the quarterly PCA tracking report) when needed. Examiners will perform onsite supervision contacts of these credit unions at least quarterly to assess compliance with the PCA and overall capital stability.

Examiners and their supervisor are responsible for monitoring the level of compliance with the CRP. Examiners should document their compliance review in the Status Update of each examination or follow-up examination report.

If the examiner determines that the credit union has materially fallen short of the earnings and leverage ratio goals of the plan, examiners will:

- Instruct the corporate to make adjustments to its financial and operational strategies to come into compliance with the CRP
- When appropriate, advise the corporate to develop and submit a revised CRP, or
- Pursue additional supervisory remedies such as administrative action

If the examiner determines that an existing approved plan is no longer adequate, he or she will send a draft message instructing the credit union to submit a revised plan (use the Notify CU of Need to Revise or Replace NWRP memo) to the ONES mailbox through the supervisor. Documentation will include a comparison of the corporate’s actual performance with its current CRP. The CRP monitoring form provided by DOS outlines a corporate’s action plan and monthly targets for the leverage ratio, earnings, assets, etc., and can be used to document and track the plan’s performance.

Any findings or concerns relating to the NWRP should be cited in the examination report as appropriate.

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Last updated July 29, 2015
Capital Restoration Plans that are No Longer Needed

Once a corporate with a CRP is effectively classified as “adequately capitalized” under PCA and financial projections indicate the ability to remain “adequately capitalized” going forward, it is no longer required to operate under a CRP.

Examiners, with the supervisor’s concurrence, will review the corporate credit union’s financial and operational condition, confirm the accuracy of the net worth classification, and draft a memo to the director recommending the CRP be removed.

- Examiners will include a draft letter advising the credit union of the CRP end date and the need to continue accumulating retaining earnings as required by part 704 (use the Notify CU that NWRP RBP Is No Longer Required template)
  - The memo will include supervision plans, if necessary, for monitoring PCA compliance (earnings retention) until the credit union becomes “well capitalized.”
- Supervisor will review the recommendation and draft letter, and forward it to DOS for processing.
- ONES will issue the letter to credit unions formally acknowledging the CRP is no longer in effect.

In the case of FISCUs, the supervisor will contact the SSA to discuss the CRP end date and ongoing supervision plans. The SSA will receive a courtesy copy of the letter notifying the FISCU the CRP is no longer in effect.

Invoking a DSA or OCA for a Critically Undercapitalized Credit Union

ONES field and office staff will follow the guidelines and procedures outlined in the Prompt Corrective Action section of the NSPM and in § 704.4 of the NCUA's regulations when invoking discretionary supervisory actions and other corrective actions for a critically undercapitalized credit union.

Corporate Credit Union Service Organizations

In September 2010, the NCUA Board adopted major revisions to the corporate rule. As part of those revisions, all activities of corporate credit union service
organizations (CUSOs) must be preapproved by the NCUA pursuant to § 704.11 of the NCUA’s regulations. Two preapproved activities in § 704.11(e) are brokerage services (as defined in the Securities Exchange Act of 1934) and investment advisory services (as defined in the Investment Advisers Act of 1940). Approved corporate CUSO activities are presented on the NCUA’s website.

The Corporate CUSO Activities page on the NCUA’s website details a corporate’s responsibilities for complying with § 704.11(e), the approval process for requesting additional corporate CUSO activities, and a list of those additional activities that are approved for corporate CUSOs, including reporting requirements and other restrictions on any corporate CUSO which desires to engage in those activities.

The NCUA may occasionally approve additional activities. Once an activity has been approved, any corporate CUSO may engage in it without further approval from the NCUA.

Corporate CUSO Activity Approval Requests

In general, ONES will process requests for approval corporate CUSO activities using the following procedures.

Initial Review

DOS handles preliminary processing of requests for approval of corporate CUSO activities; however, depending on the specific activity submitted and the structure of the corporate CUSO (wholly owned versus minority owned), examiners or specialists and their supervisors may be consulted.

After ONES receives a corporate CUSO activity request, DOS will perform a cursory review to:

- Determine whether the request is complete
- Assess whether they activity is already approved
- Identify whether consultation with the district examiner or a specialized examiner is needed

If the corporate CUSO activity request is considered complete, DOS will:
- Prepare an acknowledgement letter and send it to the corporate or CUSO using the preferred expedited mail delivery service
- Review the request to determine whether it falls under an existing approved corporate CUSO activity
  - If the request is for an activity that the NCUA has approved for all corporate CUSOs, DOS will prepare an approval letter.
  - If the request is for an activity that has not been approved by the NCUA, DOS will determine if the request meets criteria specified in §704.11 of the NCUA's regulations and will evaluate the risks associated with the activity. If necessary, DOS will consult with the district examiner, specialized examiner, E&I, or OGC. For field consultation, the supervision technician will prepare and send a work assignment to the field that includes the credit union’s request, application package, supporting documentation, and request a recommendation for approval or denial.

If the corporate CUSO activity request is considered incomplete, DOS will:

- Prepare an incomplete/denial letter and send it to the credit union or CUSO using the preferred expedited mail delivery
- Ensure the letter lists the additional information the credit union or CUSO must submit if it would like the request to be considered
- Copy the examiner and supervisor on the letter

**Field Staff Review**

Examiners and/or specialists should review all pertinent documents with their supervisor to evaluate whether the requested activity is appropriate and aligns with the corporate credit union’s business plan, whether the CUSO is currently profitable, and determine if the CUSO has the resources to remain profitable on an ongoing basis. The scope and depth of the examiner’s review will be scaled according to the materiality of the CUSO activity request.

After review, examiners will:

- Determine if additional information is needed (if additional information is required, examiners will informally contact the credit union or CUSO to obtain the missing information)
• If the activity approval request is considered complete, the examiner will complete a memo to include an approval or denial recommendation.

Supervisors will review the information, provide supporting reasons for concurrence or non-concurrence, and forward the package to the ONES mailbox.

**Processing**

The delegated authority for approving corporate CUSO activities requires concurrence from E&I and OGC. Upon receipt of the field’s recommendation, DOS will review and analyze the recommendation for appropriate support and justification. Upon concurrence, DOS will endorse the recommendation, provide additional support and justification as needed, and prepare a concurrence request package for the director’s review and approval.

Once E&I and OGC concurrence are received, DOS will prepare the proposed approval letter and forward it to the director for signature. DOS will mail the signed letter to the credit union using the preferred expedited mail delivery service. DOS will then notify the NCUA webmaster to update the Approved Corporate CUSO Activities webpage.

If DOS and/or the director do not agree with the field’s recommendation to approve or deny a CUSO activity request, the supervisor will be notified of the reasons. The field will be given the opportunity to provide additional support or justification and revise their recommendation memo.

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**Monitoring Corporate CUSOs**

DOS will maintain a list of corporate CUSOs, approved CUSO activities, and monitor receipt of required quarterly reports as specified on the NCUA website and in the corporate CUSO activity approval letter. The list of corporate CUSOs will be verified with district examiners each quarter to identify changes.

During a CUSO review, examiners will ensure that a CUSO engages only in approved activities. Examiners may consider activities of wholly-owned CUSOs during the corporate’s annual examination if the activities are included in the examination scope. Examiners are also responsible for validating the corporate CUSOs listed on the CUSO log each quarter.

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Last updated July 29, 2015
Prompt Corrective Action

Prompt Corrective Action for corporate credit unions is designed to restore and improve the capital of corporate FCUs and FISCUs. The principal purpose of §704.4 of the NCUA's regulations is to define the capital measures and capital levels that are used to determine appropriate supervisory actions for a corporate that is not adequately capitalized. The relevant PCA capital measures for corporates are:

- Leverage ratio
- Tier 1 risk-based capital (RBC) ratio
- Total RBC ratio

When a corporate is subject to PCA, the district examiner will monitor compliance to all applicable provisions of PCA contained in §704.4. This section of the NSPM establishes policy and guidelines for corporates that NCUA staff will follow when completing PCA-related work assignments and examination or supervision of PCA-related issues.

Category Classifications

Examiners need to consider if a credit union meets any applicable risk based requirements for PCA classification. Examiners will determine the effective date and PCA classification as defined under §704.4(d) of the NCUA's regulations and ensure that assigned corporate credit unions comply with all requirements of §704.4.

It is important to note that a credit union may meet one or two of the well capitalized elements in the table on the following page but end up in the “Adequately capitalized” category because other elements are below the “well capitalized” thresholds.

<table>
<thead>
<tr>
<th>Capital Category Classification for Corporate Credit Unions</th>
<th>Leverage Ratio</th>
<th>Tier 1 RBC Ratio</th>
<th>Total RBC Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well capitalized</td>
<td>5% or higher</td>
<td>6% or higher</td>
<td>10% or higher</td>
</tr>
<tr>
<td>Adequately capitalized</td>
<td>4% to</td>
<td>4% to</td>
<td>8% to</td>
</tr>
</tbody>
</table>
### Capital Category Classification for Corporate Credit Unions

<table>
<thead>
<tr>
<th>Classification</th>
<th>Tier 1 RBC Ratio</th>
<th>Total RBC Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.99%</td>
<td>9.99%</td>
</tr>
<tr>
<td>Undercapitalized</td>
<td>Less than 4%</td>
<td>Less than 8%</td>
</tr>
<tr>
<td>Significantly undercapitalized</td>
<td>Less than 3%</td>
<td>Less than 6%</td>
</tr>
<tr>
<td>Critically undercapitalized</td>
<td>Less than 2%</td>
<td>Less than 4%</td>
</tr>
</tbody>
</table>

### Effective Date of Classification

At its discretion, ONES may provide the examiner with documentation to determine the effective date of classification and/or if a credit union is newly chartered. It is incumbent on the examiner to be familiar with his or her district information.

In general, the effective date of the capital classification is the most recent of:

- The last day of the previous calendar month (determined by the 5310 Call Report filing and the most typical effective date)
- A final NCUA report of examination delivered to the corporate
- Date corporate received written notice from the NCUA (or, if state-chartered, the appropriate SSA) that its capital category has changed as provided in § 704.4(c)(2) or § 704.4(d)(3) of the NCUA’s regulations
  - A decline in capital category due to a correction of an error or mis-statement in the credit union’s most recent Call Report
  - A reclassification to a lower capital category on safety and soundness grounds

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### Reclassification Based on Correction

The effective date of an examination or supervision contact-based correction to a capital category will vary depending on whether the corporate is federally chartered or state-chartered:
**For a Federal Credit Union**

If the contact involves a report upload (such as an examination or follow-up examination), the effective date is the date the officials receive the final report. If the contact does not involve a report upload, the effective date will be the date the credit union receives the notification letter.

**For a Federally Insured State-Chartered Credit Union**

Consult and work cooperatively with the appropriate SSA official before correcting a FISCU’s capital category. NCUA examiners will promptly notify the appropriate SSA of the agency’s decision to correct a capital category. The date will depend on whether it was an independent or joint examination.

<table>
<thead>
<tr>
<th>Activity Type</th>
<th>Classification Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent examination completed by SSA</td>
<td>Date SSA releases its official examination report</td>
</tr>
<tr>
<td>Joint examination in which the NCUA EIC is aware the SSA will be providing a timely examination report to the FISCU</td>
<td>Follow procedure used for FCUs (through a notification letter)</td>
</tr>
<tr>
<td></td>
<td>• Give the SSA an opportunity to review the draft notification letter before it is issued</td>
</tr>
<tr>
<td></td>
<td>• Copy the SSA on the final letter</td>
</tr>
<tr>
<td>Joint examination in which SSA may not release its examination report for several months</td>
<td></td>
</tr>
<tr>
<td>Independent insurance review completed by the NCUA</td>
<td></td>
</tr>
</tbody>
</table>

**Lowering a Classification**

If an examiner recommends lowering a corporate’s capital category to anything lower than “well capitalized” based on an examination or supervision contact, he or she must:
- Obtain supervisor concurrence for lowering the category
- Note the agreement in the Confidential Section of the report
- Document the corrected capital category in the Examination Overview

If the examination or the supervision contact reduces the capital classification to a lower category and a report is not issued to the corporate, the examiner will prepare a draft letter to formally notify credit union officials of the corrected capital category and the required PCA action(s). This should be rare.

Findings resulting in the lowering of a corporate’s capital category would be significant in most circumstances, warranting an examination report to the corporate’s officials for the administrative record. Modify the Net Worth Category Reclassification samples for use with a corporate credit union. Examiners should forward the draft letter to the ONES mailbox for processing through their supervisor.
COVID-19 Policies

This section of the NSPM describes agency policy developed in response to the COVID-19 pandemic, and supersedes any other NSPM requirement or NCUA Instruction if there are policy conflicts.

The requirements described in this section of the NSPM apply to examination and supervision contacts conducted beginning June 1, 2020. These requirements supersede the procedures distributed from E&I by email on March 24, 2020 and May 26, 2020, and will remain effective until they are removed or superseded. They may be updated in response to adjustments to the agency’s offsite posture and examination approach.

The NCUA is evaluating the offsite posture frequently and will provide information as it becomes available.

Scheduling

Field staff will:

- Plan to conduct all examination and supervision contact work offsite until further notice
- Notify their supervisor if a credit union has a request or concern regarding scheduling
- Work with a credit union to obtain the necessary documents and files in a secure manner to conduct exam procedures offsite to the maximum extent possible
- Upload a minimal contact in AIRES (WCC 27/WCC 28) if a credit union is unable or unwilling to provide materials electronically and document the reason for the delay in the Examiners Comments section of the Completion Information tab in AIRES
  - Include any additional information about the credit union’s operating status or the reason it is unable to provide electronic documents in the Examiners Comments section.
- Field staff may also review a credit union’s financial statements, board minutes, or financial performance report as part of the minimal contact and document this review in the Scope module.
Hours and WCCs

Field staff will:

- Complete as many AIRES Scope steps offline as possible for any credit union scheduled for an examination (WCC 10, WCC 11, WCC 12, or WCC 13) or an onsite contact or follow-up (WCC 22 or WCC 23)
  - Once the offsite posture has concluded, regions will prioritize onsite examinations and supervision contacts. Some credit unions may not receive an onsite contact in the near future, so staff are encouraged to complete examinations and supervision contacts offsite to the maximum extent possible.

- Continue to report examination and supervision time in TMS to the applicable WCC regardless of where they complete work

- Work with their supervisor if they need more time to conduct an offsite examination or supervision contact
  - This includes time working with a credit union to obtain documents, coordinate with team members, or address technology challenges. Supervisors will approve all reasonable requests.

Supervisors will provide field staff additional time to complete onsite procedures at a future date, if necessary.

Pre-Exam Notification

Field staff will:

- Provide a credit union sufficient time to provide documents before starting an examination or supervision contact
  - Credit unions may require additional time to submit documents because of reduced staff or other extraordinary circumstances; field staff will be flexible and reasonable when requesting information. Do
not include strict due dates. If a credit union does not have the capacity to provide documents, field staff will not require the credit union to do so. Ask the credit union to contact you once they are in a position to begin providing information.

- Field staff may reach out to any credit union in their district to request electronic documents, even if an exam or contact is not scheduled for many months.

- If a credit union is able and willing to provide electronic documents on a flow basis, field staff may review documentation as it becomes available.

- Follow procedures in the most recent NCUA Instruction 13500.09, *Security of Sensitive Information*, when removing hardcopy documents from a credit union or receiving documents through mail.

- If the credit union and supervisor concur, you may collect documents from a credit union if it requires minimal contact with credit union staff.
  - Work with a credit union to identify a secure, agreed upon location to pick up the documentation.

- Field staff may not travel farther than 40 miles, one way (normal commuting distance) to collect documents from a credit union.

- No use of public transportation is authorized for agency business.

- NCUA staff must comply with state or local travel restrictions.

- Encourage credit unions to provide electronic documents through a secure method.
  - If a credit union requests to mail documents, it may mail them to the Regional Office. Regional Office staff will scan the documents and send them to the examiner. Field staff must remind credit unions not to send original documents.

  - If a credit union cannot provide documentation electronically, for in-person pick up, or through mail, postpone the exam or contact.

### Exam Scope

Field staff will:

- Conduct examinations in accordance with the most recent version of NCUA Instruction 5000.20, *Examination Scope*, to the greatest extent
possible using offsite procedures such as those described in the Examiner’s Guide

- Indicate “unable to perform offsite” in the Results of Review area of the AIRES Scope module for any required or baseline step they cannot conduct offsite
  - No scope tasks have been automatically deferred. Field staff must determine the procedures they can conduct offsite based on the information provided by a credit union and availability of credit union staff for virtual meetings.

- Complete the COVID-19 Scope Limitations Workbook and include it in the AIRES upload
  - The workbook template is available in AIRES. (Requirements related to the COVID-19 Scope Limitations Workbook do not apply to ONES examiners, who are not required to complete the workbook)
  - Field staff must use the COVID-19 Scope Limitations Workbook for all WCC 10 and WCC 11 examinations and all WCC 22 and WCC 23 supervision contacts completed during the offsite posture.

- Discuss any inability to complete a sufficient review of the required examination procedures described in the most current version of NCUA Instruction 5000.20, Examination Scope, with their supervisor to determine whether to convert the examination (WCC 10/WCC 11) to a supervision contact (WCC 22/WCC 23). This does not apply to continuous examinations conducted by ONES examiners.
  - Field staff that convert an examination to a supervision contact must document the change in the Examiner’s Comments section of the Completion Information tab in AIRES and in the summary comments in COVID-19 Scope Limitations Workbook.
Exam Report Release

The exam reports policy described in this section of the NSPM does not apply to ONES examiners. ONES staff will follow ONES examination report release procedures.

Field staff will complete the following steps before releasing an examination report to a credit union:

- Complete the examination or supervision work to the maximum extent possible, document the results of the examination or supervision contact in AIRES, and draft the credit union’s examination report based on the procedures they conducted.
  - Identify any Examiner’s Findings, Compliance Violations, or DORs. Be reasonable when assigning DOR due dates. Consider the severity of the problem, timeliness of the corrective action, ability of the credit union to complete the task under current circumstances, and the NCUA’s ability to follow up on the DOR in the near-term. Generally, DORs issued during the offsite posture should not have a due date sooner than 180 days from the completion of the exam. In developing a DOR due date, a basic standard will be 60 days added to a normal expected resolution date.
  - Assess CAMEL and risk ratings.
  - Include the following language in the Examination Overview if an examiner or supervisor recommended that a credit union will need an onsite contact in 2020 in the COVID-19 Scope Limitations Workbook:
    - “As a result of limitations due to the COVID-19 pandemic, the NCUA was unable to complete a full assessment of the credit union’s risk profile and management’s ability to identify, measure, monitor, and control risk. The NCUA may schedule a contact at your credit union at a future date to perform examination procedures we were unable to conduct. You will be notified in advance of the examination in accordance with the standard pre-exam notification procedures.”
• This language is provided to ensure a credit union is aware that an onsite contact may occur in 2021.

• If a credit union is unwilling or unable to discuss examination concerns (DORs, Examiner’s Findings, etc.) prior to finalizing the exam report, field staff will document this in the Confidential Section and summary comments of the COVID-19 Scope Limitations Workbook, draft the examination report, submit it as normal through the PSR process, and notify their supervisor.
  • To ensure credit union management has the opportunity to discuss issues before receiving a final examination report, field staff must request management contact them when they are able to discuss examination concerns. Field staff will notify management that they will check in periodically to see if they are able to continue to the process to finalize and release the examination report.

• Supervisors and examiners are responsible for tracking credit unions that need to be consulted prior to releasing the examination report. Once a credit union can continue the examination process and discuss examination issues, the examiner will do so and finalize and issue the examination report using the process described in this section of the NSPM.

• Supervisors will determine whether field staff should upload the examination or contact before issuing an examination report (noting in the Examiner Comments section that the report was not issued to the credit union). Examiners will then upload a WCC 22/WCC 23 once they are able to discuss issues with the credit union and issue the
final examination report. Alternatively, supervisors may instruct an examiner to keep the original examination or supervision contact open until the examination report is issued to the credit union.

- For FISCUs, field staff will follow the SSA’s lead if they elect to issue an examination report
  - If the SSA is not providing flexibility to a credit union related to providing materials or corrective action expectations, field staff will notify their supervisor.

**Joint Conferences and Exit Meetings**

Field staff will:

- Hold a virtual (video or phone) joint conference or final exit meeting (if required by the NSPM or requested by a credit union) to deliver an examination report upon that has been authorized for release
  - There is no requirement for examiners to be on camera for virtual meetings.
  - Send the examination report to the CEO/manager and credit union board using a secure electronic delivery method.
  - If credit union staff or officials cannot attend a virtual joint conference/exit meeting, or a quorum is not present, document the fact in the Confidential Section and send the electronic examination report to the credit union.
    - Request the CEO/manager and board review the exam report and contact the EIC with any questions.
  - If an LUA needs to be signed, get hardcopy signatures through mail or fax, or electronic signatures using PDFs.
  - Obtain specific approval from OED to record meetings (audio or video). Such approval will be granted only when there is a legitimate business purpose for the recording. Requests for approval should be sent to OEDmail@ncua.gov, and must contain:
    - Meeting date and time
    - Recording type (teleconference, Skype video, GoToMeeting video, etc.)
- Expected attendees
- Topics to be discussed
- Brief explanation of business purpose for recording the meeting

Under the limited circumstances in which OED grants approval to record a meeting, meeting administrators must fully disclose to meeting participants that a meeting is being recorded. Staff may continue to take written notes and minutes of meetings.

Closing and Uploading Exams

Field staff will:

- Enter the following information on the Exam Management Console in line #2 under Central Office Problem Codes:
  - Date: Exam/Contact Start Date
  - Comment: COVID19

- Complete all required fields and upload the applicable exam type
  - Field staff may have to enter comments regarding scope steps or questionnaires that were not complete or why CAMEL and risk ratings could not be changed. The Membership Address Extract Query requirement for examinations was removed in March 2020 with AIRES version 2.51.

- Upload the exam or contact once they complete as many offsite procedures as possible and have supervisor concurrence on the COVID-19 Scope Limitations Workbook.

The NCUA will issue guidance on how to document onsite procedures when the offsite posture concludes.

FISCU Exams

Regions will provide guidance on FISCU exams. Field staff should contact their supervisor if they have questions.

Offsite Supervision

For WCC 27 and WCC 28 supervision contacts, field staff will:
• Consider traditional offsite supervision that they can conduct
• For credit unions with ongoing or significant recordkeeping concerns, attempt to identify documentation or procedures that can be conducted offsite to ensure the credit union remains current on its recordkeeping and to help identify red flags
  • For example, field staff may request a credit union send bank statements and the general ledger or subsidiary ledgers and reconciliations weekly.

DOR and LUA Follow-Up

Field staff should be reasonable and flexible when working with credit unions that have outstanding DOR items or administrative actions. Due dates should be extended when possible. Contact your supervisor with questions or concerns.

Last updated January 11, 2021
CUSO Registry

In November 2013, the NCUA issued a final rule affecting the relationship between credit unions and credit union service organizations. The Board subsequently issued changes to corporate credit union rules to require the same reporting for CUSOs that have a loan or investment from a corporate credit union.

Part 712 and § 741.222 of the NCUA's regulations apply to all federally insured credit unions that have an investment in, or loan to, a CUSO. Section 712.3(d)(4) requires CUSOs to agree, in writing, to provide information to the NCUA and the appropriate SSA, if applicable, on an annual basis.

The NCUA established the online CUSO Registry as the official reporting tool for CUSOs, which will report year-end information to the agency through the registry during an annual registration period (February 1 through March 31). The goal of the CUSO Registry is to obtain accurate information about CUSOs in order to effectively evaluate potential financial and operational risk to credit unions. This information also helps the NCUA identify inter-relationships between credit unions and the CUSOs in which they invest, lend, and do business. As a result, it is imperative that information contained the registry is accurate.

Last updated July 31, 2018
Field Staff and Regional Office Responsibilities

As part of every RFE and Tier 1 SCUEP exam, field staff will document the review of CUSO information in the AIRES scope workbook and in the AIRES CUSO internal control questionnaire. Specifically, field staff will:

1. Answer questions 1 through 7(a) in the AIRES CUSO internal control questionnaire.

2. Determine if the credit union/CUSO relationships reported in the CUSO Registry are materially accurate. If registration is not current or if there is materially inaccurate information in the registry:
   a. **If the credit union is the whole or majority owner of the CUSO**, the examiner should attempt to resolve any CUSO reporting issues/concerns through the credit union. If the credit union/CUSO does not resolve the issue, the examiner will refer the issue to the regional office using the CUSO Registry Reporting Concern form. The regional office will then use the appropriate template to send a letter to the credit union, CUSO, and any other credit union investors or lenders of record. The letter will advise credit unions that invest in or lend to the CUSO to immediately stop making additional investments in or loans to the CUSO until the registration record is corrected.

   b. **For CUSOs with multiple owners**, the examiner should notify the regional office of any CUSO reporting issues/concerns immediately using the CUSO Registry Reporting Concern form. The regional office will use the appropriate template to contact the CUSO and any credit union investors/lenders of record as soon as possible. The letter will request that the CUSO resolve the reporting issue within 30 calendar days from the initial date of contact. If the CUSO does not resolve the issue, the regional office will use the CUSO Registry Examination Follow-Up template to send a letter to the CUSO and any other credit union investors or lenders of record. The letter will advise credit unions that invest in or lend to the CUSO to immediately stop making additional investments in or loans to the CUSO until the registration record is corrected.

3. Document the completion of each scope step in the compliance section of the scope workbook. Indicate if any issues were discovered, and document the status of resolution.
If an examiner finds that a credit union made a new loan to or investment in a CUSO during a period when the CUSO was not properly registered, this should be reported as an Examiner Finding in the credit union’s Exam Report.

If an examiner finds that a CUSO is in breach of its contract with respect to registering, the examiner will note this as an Examiner Finding in the credit union’s exam report with a reminder that the credit union may not make any new loans to or investments with the CUSO until it comes into compliance. If the issue is corrected during the course of the examination, the examiner should note this in the Examiner Findings.

Serious or significant recurring issues should be discussed with your supervisor and may warrant a Document of Resolution or Regional Director Letter. Any recommended enforcement action beyond a DOR or RDL should include consultation with OGC.

**Additional Regional Office Responsibilities**

Regional offices will:

- Process CUSO Registry Reporting Concern forms submitted by field staff
- Notify E&I of any CUSO that fails to comply with reporting requirements
- Coordinate with other regional offices when sending letters to investor/lender credit unions in other regions

**Templates**

- CUSO Registry Reporting Concern Form
- CUSO Registry Examination Follow-Up Letter
- CUSO Registry Regional Director Letter to Credit Union Owners or Lenders
**Template: CUSO Registry Reporting Concern**

<table>
<thead>
<tr>
<th>Credit Union Name</th>
<th></th>
</tr>
</thead>
</table>
| Type of CUSO Relationship (check all that apply) | □ Investor  
□ Lender  
□ Customer  |
| NCUA Charter/Insurance Number |  |
| CUSO Name¹ |  |
| NCUA’s Registry Number for the CUSO, if available² |  |
| CUSO Contact Information |  |
| • Name of CUSO CEO or credit union’s primary point of contact at CUSO |  |
| • Mailing address, if available |  |
| • Email address, if available |  |
| • Phone number of CUSO CEO or primary point of contact, if available |  |
| Reporting concern | □ No current registration  
□ Materially inaccurate registration information  |
| Description of reporting concern³ |  |

¹ If the CUSO is in NCUA’s CUSO Registry, use the name reported in the registry. If the CUSO is not in the registry, use the CUSO name as reported by the credit union.

² NCUA assigns a number to each CUSO that begins with “111-.” Numbers that begin with “TT-” indicate that the CUSO has not been reported through CU Online nor validated as a CUSO. Contact your regional office for more information about these reporters.

³ Examiners should provide a description that is specific enough that office staff can understand and accurately describe the issue in any communications with the CUSO and/or credit unions.
CEO Name
CUSO Name
Address
City, State  Zip

Dear [CEO Name):

During a contact at [CU name], our staff noted that [CUSO name] did not complete its registration with NCUA through the CUSO Registry as required by NCUA rules and regulations.\(^1\) [Originating office should provide any relevant details about the lack of registration.]

**It is important that [CUSO name] register by [DATE (30 days from date of initial contact)].** A continued delay in registering will jeopardize the permissibility of future investments in and/or loans to [CUSO name] by federally insured credit unions.

---OR---

During a contact at [CU name], our staff noted that [CUSO name]’s CUSO Registry record is materially inaccurate with regard to [Originating office should provide any relevant details about inaccurate information].

**It is important that [CUSO name] register (or correct its registration record) by [DATE (30 days from date of initial contact)].** Continued delay in filing will jeopardize the permissibility of future investments in and/or loans to [CUSO name] by federally insured credit unions.

If you have questions about this message or believe you are not required to register, please contact this office before DATE at xxx-xxx-xxxx or [NAME@ncua.gov].

Regards,

[Name]
NCUA Regional Director

---

Region/[WRITER’S INITIALS]
SSIC XXXX

cc:   E&I
      SSA (when applicable)
      CEO of All Credit Union Investors/Lenders of Record
      SE
      EX
Mr. John Doe  
Board Chairperson  
ABC Federal Credit Union  
Address  
City, State Zip  

Dear Mr. Doe:  

Our records indicate that [CU name] has made an investment in or loan to [CUSO name]. NCUA rules and regulations require CUSOs that receive loans or investments from federally insured credit unions to file annual reports with NCUA through the CUSO Registry.\(^1\) I’m sending this letter to make you aware that [Originating office fill in issues/concerns. If a 30-day letter was previously sent to the CUSO without sufficient response, the originating office will also make reference to that letter].  

As a result of [CUSO name]’s registration status, [CU name] must immediately stop making additional investments in or loans to the CUSO. NCUA will consider investments in or loans to [CUSO name] that take place while the CUSO is not actively registered impermissible. Once [CUSO name] completes the required registration, [CU name] can resume making investments in or loans to the organization, subject to the regulatory limit.  

--OR—  

As a result of [CUSO name]’s registration status, [CU name] must immediately stop making additional investments in or loans to the CUSO. NCUA will consider investments in or loans to [CUSO name] that take place while the CUSO’s record is not materially accurate impermissible. Once [CUSO name] corrects its registration record, [CU name] can resume making investments in or loans to the organization, subject to the regulatory limit.  

If you have questions about this message, please contact this office at xxx-xxx-xxxx or [NAME@ncua.gov].  

Regards,  

[Name]  

\(^1\) See 12 CFR Part 712, Credit Union Service Organizations, and 12 CFR Part 741, Requirements for Insurance; for a complete discussion, see 78 Fed. Reg. 72537 (Dec. 3, 2013). For more information about the CUSO rule, see NCUA Letter to Credit Unions 13-CU-13, Changes to NCUA Regulations related to Credit Union Service Organizations, issued in November 2013, and 14-CU-07, Contractual Agreements with Credit Union Servicing Organizations, issued in June 2014.
NCUA Regional Director

Region/[WRITER’S INITIALS]
SSIC XXXX

cc: E&I
SSA (when applicable)
Credit Union CEO
CUSO CEO
SE
EX
CUSO Reviews

A credit union servicing organization, or CUSO, is an organization that is owned wholly, or in part, by one or more credit unions in order to provide services to credit unions, credit union members, or both. Part 712 of the NCUA’s regulations establishes requirements for CUSOs; these include limits on the amount of investments in or loans to a CUSO that an FCU can make. Certain sections of part 712 apply to FISCUs.

Section 712.3(d)(3) of the NCUA regulations requires both federal credit unions and FISCUs to have a written agreement with their CUSO that requires the CUSO to provide the NCUA and the SSA, as applicable, with complete access to any books and records and allow the NCUA to review internal controls as deemed necessary. This allows the NCUA’s review of CUSO operations.

The NCUA does not have direct regulatory authority over CUSOs. However, the NCUA and SSAs (under state statutes) periodically perform independent or joint reviews of CUSOs to ensure they comply with statutory and regulatory requirements, including those in part 712. These reviews are also designed to ensure that CUSOs use sound business practices and to determine if the CUSO is in compliance with statutory and regulatory requirements for the products and services they provide.

This section of the NSPM outlines procedures for conducting independent reviews of CUSOs that may pose systemic risk to credit unions. It also explains how risks in CUSOs will be identified; the process by which independent CUSO reviews will be planned, scheduled, and staffed; and describes how CUSO review reports will be developed, distributed, and maintained.

This section does not address procedures for examiners who perform a CUSO review as part of the normal credit union examination process. Examiners conducting such a review should refer to the Examiner's Guide, the CUSO Registry review procedures outlined in the NSPM, and the CUSO internal control questionnaire contained in AIRES Questions.xls.

Last updated July 31, 2018
General Responsibilities Regarding CUSOs

E&I

E&I will monitor the national status and trends of CUSOs through data available from the CUSO Registry. E&I will use this information, along with CUSO reviews, to evaluate risk mitigation and control and to identify weaknesses in overall CUSO supervision processes. E&I will maintain a SharePoint spreadsheet of CUSO reviews along with the planned CUSO review list for the current year.

E&I will also distribute NCUA-authored CUSO reviews to SSAs that did not otherwise receive a copy of the final report from the regions.

Regional Office

Yearly, regions will solicit CUSO recommendations from NCUA staff and each SSA in the region. During the annual resource budgeting process, ARDPs will collectively determine which CUSOs will receive on-site CUSO reviews based on SSA and field staff recommendations, a CUSO’s overall risk profile (identified through CUSO Registry information), and the availability of staff resources.

DOS staff are responsible for:

- Coordinating report actions with the examiner-in-charge, supervisor, SSAs, and CUSO officials
- Coordinating report responses with the CUSO, SSAs, and the EIC
- Finalizing and distributing draft and final reports to internal (regional, central offices, E&I) and external (CUSO, SSA, credit union owners/investors) recipients
- Uploading the zip file containing all examination documents and workpapers to the E&I SharePoint site for CUSO reviews
- Updating the SharePoint spreadsheet of CUSO reviews to include, at a minimum:
  - CUSO EIN
  - CUSO name, state
- Region performing the exam
- Exam year
- CUSO services provided

**SE and DSA**

SEs and DSAs will coordinate with examiners, specialists, and PCOs to identify CUSOs whose operations may pose potential risk and will recommend an independent CUSO review to regional management. SEs and DSAs are responsible for reviewing the yearly CUSO review recommendations provided by staff. If SEs or DSAs are presented with a case from staff that warrants more immediate attention, they will immediately notify the regional DOS director, ARDP, and ARDO.

**Field Staff**

Field examiners, specialists, and PCOs are responsible for identifying potential risks associated with CUSOs based on information gathered during NCUA onsite contacts, examinations, and insurance reviews.

If an examiner, specialist, or PCO believes a CUSO poses significant risk to credit unions, he or she will recommend it for independent review through their supervisor. A CUSO may pose a significant risk to credit unions through its operations or the products and services it provides. It may also pose a risk to the credit unions that have an ownership in or loan to the CUSO if not financially stable.

Recommending a CUSO for independent review is performed annually through the referral and selection process discussed in the Selecting CUSOs for Review section of the NSPM. If field staff determine the risks are pervasive or serious enough to warrant consideration for scheduling a review outside the annual process, they will make a recommendation to their supervisor immediately.

**Selecting, Scheduling, and Resourcing CUSO Reviews**

Regions will solicit recommendations for CUSO reviews from the field annually. Recommendations should come from examiners, specialists, and PCOs (through their supervisors). The region will also solicit recommendations for CUSO reviews from each SSA in the region and will review CUSO Registry reports to identify CUSOs with any wide-ranging regional or national impact.
During the annual resource budgeting meeting, ARPDs will review and discuss CUSOs presenting potential risk to credit unions and identify:

- CUSOs requiring cross-regional coordination and staffing, including identifying the region that will be primarily responsible for scheduling and staffing the review as well as any specialized resources necessary

- CUSOs that will receive reviews staffed and coordinated within the region, including identifying the supervisor (SE or DSA) responsible for scheduling and staffing the review

The final selection of CUSOs for each of the review categories above will be based on potential or emerging risks resulting from the services the CUSO provides, the CUSO’s geographical footprint, and the systemic risk the CUSO’s operation may pose to credit unions regionally or nationwide.

On a quarterly basis, regions will provide the following information in the quarterly workload memo to E&I:

- Changes (additions or deletions) to the list of CUSOs scheduled for a review
- Anticipated dates for completion of CUSO reviews for the upcoming quarter

---

**Scope of Review**

NCUA staff conducting stand-alone CUSO reviews must use the CUSO review scope workbook. The CUSO review scope workbook is not required for follow-up CUSO reviews or reviews of CUSOs conducted as part of the normal examination process. The CUSO review scope workbook includes CUSO review steps common to all CUSOs regardless of service type. These review steps are, in large part, based on requirements outlined in part 712 of the NCUA’s regulations.

Regional supervisors responsible for a CUSO review may request expertise outside of their group. This may be an opportunity to bring in SMEs or other specialized resources available in the region such as regional lending specialists, RISOs, or others.
The CUSO review scope workbook also provides specific review scope steps based on the products or services provided by the CUSO (for example, MBL, mortgage loan origination, IS&T, investment services, etc.). While the scope workbook is intended to provide more consistency during CUSO reviews, the examiner-in-charge has the flexibility to customize the scope as needed. Not all scope steps outlined in the workbook are required; each scope should be commensurate with the size and complexity of the CUSO being reviewed.

The EIC should generally design the review to determine regulatory compliance, assess the risk to investing or lending credit unions, and assess potential risks to credit unions that use the CUSO’s products or services. Examiners can also consult the CUSO section of the Examiner's Guide for more information regarding the risks CUSOs can pose to credit unions.

As part of the scheduling process, the examiner will send the CUSO a pre-review letter that outlines goals, staff, timelines, etc. approximately 30 calendar days before the start of a review.

Some issues identified during a CUSO review may need to be addressed directly with individual credit unions that invest in or lend to the CUSO. For example, if a federal credit union is over the statutory limit for investments in or loans to the CUSO, or if a credit union does not have written agreement with the CUSO as required by regulation, the issue should be addressed directly with the credit union. When reviewing finalized CUSO reports, DOS will bring all such concerns to the attention of the SE and to the assigned examiner of the credit union(s) that invest in or lend to the CUSO.

CUSO Review Report and Workpapers

A CUSO review report must include six specific sections (if applicable to the CUSO):

- Cover page
- Review summary
- Review findings and recommended corrective actions (when applicable)
- Loan exceptions (if applicable)
- Management response
- **Confidential Section** (not included in draft or final report provided to CUSO officials)

The EIC will format the required sections using the CUSO review report template. CUSO review reports must include the following information, which the EIC can provide in any of the required report sections:

- CUSO’s background information
- List of CUSO officials/senior management (including individual backgrounds)
- CUSO’s organizational chart
- List of credit unions that invest in, loan to, or are affected by the CUSO, and the level of involvement for each credit union listed

- **Scope of review**
- List of services offered by the CUSO
- CUSO’s financial data and trends (the EIC can use the embedded CUSO FINANCIAL TEMPLATE.xlsx worksheet to incorporate information and trends into the report at his or her discretion)
- Region performing the examination
- SE/DE performing the examination

An AIRES file will not be uploaded for independent CUSO reviews. However, as noted previously, DOS is responsible for uploading the zip file containing all examination documents and workpapers to the E&I SharePoint site for CUSO reviews, and updating the SharePoint spreadsheet of CUSO reviews.

The EIC has flexibility in developing the overall content of the CUSO report, and may include additional documents in the report as attachments or appendices. Additional documents should be formatted consistently with the CUSO review report template.

**Reports provided to investors and lenders should not include information that may be considered trade secret, proprietary, or could expose a CUSO to additional risk** (for example, information related to security controls). If necessary, EICs will document this type of information.
in a “Closed Section” appendix to the CUSO review report. The Closed Section appendix will be provided to the CUSO, but will not be distributed to credit unions that invest in or loan to the CUSO.

Distributing a Draft Review Report

The EIC will forward the draft CUSO review package to their supervisor for initial review. At a minimum, the CUSO review package will include the CUSO Review report (including any attachments and appendices) and the Confidential Section. Upon review and approval, the supervisor will forward the draft report to DOS Mail; DOS will log the item and review it within 14 calendar days. The responsible DOS analyst, working with the EIC and the EIC’s supervisor, will review, edit, and clarify the report as necessary.

Once the draft report has been reviewed by DOS and agreed-upon changes have been made, the DOS analyst will mark the report “Draft” and send it to any SSA that participated in the on-site review. The DOS analyst will not provide the draft report for comment to any SSA that did not participate in the review.

The DOS analyst will use the Draft Report Cover Letter to SSA template to develop a draft report transmittal letter to the SSA. The letter establishes a 15 calendar-day response date, and indicates that the NCUA will assume the SSA accepts draft report content as provided if a response is not provided within 15 calendar days. The DOS analyst working with the EIC will revise the draft report based on any SSA responses provided.

Once SSA comments are received and incorporated into the draft report by DOS (or if no SSA participated in the review), the DOS analyst will send a copy of the draft report to CUSO management. The DOS analyst will use the Draft Report Cover Letter to CUSO template to create a transmittal letter for the draft report. This letter will request CUSO management provide comments regarding review content and responses to all findings and recommended corrective actions within 15 calendar days of receipt.

Management Response

DOS analysts will forward a copy of any CUSO management responses to the draft report on to the EIC. The EIC will review the responses within ten
calendar days of receipt to determine if they are sufficient to address all concerns. The EIC, DOS analyst, and SSA staff (if applicable) will coordinate with CUSO management regarding the responses as necessary.

If a CUSO is unable or unwilling to respond to the NCUA, the agency will issue the report and include an indication that the CUSO did not provide a response. The EIC will work with CUSO management to a reasonable extent to ensure the sufficiency of management’s response. If no agreement can be reached, the finalization and distribution of the report will be handled on a case-by-case basis in consultation with regional management.

Once the EIC and DOS analyst agree on the adequacy of management’s responses, the DOS analyst will add management’s responses to the appropriate response section of the CUSO Review Report. Once the final report has been updated with management responses, the DOS analyst will provide a copy to the EIC and coordinate with the EIC to determine whether a management conference will be held with CUSO officials.

**Distributing a Final Review Report**

After the DOS analyst enters management responses into the final report, they will finalize the report and distribute it as outlined below:

<table>
<thead>
<tr>
<th>Cover Letter</th>
<th>Recipient</th>
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</thead>
<tbody>
<tr>
<td>Final Report Cover Letter to CUSO</td>
<td>CUSO officials</td>
</tr>
<tr>
<td>Final Report Cover Letter to Investors and Lenders</td>
<td>Credit union officials of each federally insured credit union that invests in or loans to the CUSO</td>
</tr>
<tr>
<td>Final Report Cover Letter to SSA</td>
<td>SSAs that regulate credit unions which use products or services provided by the CUSO (Obtain the list of affected SSAs from information in the CUSO Registry.)</td>
</tr>
<tr>
<td>N/A</td>
<td>Regional SEs, DSAs and DEs, ARDO, ARDP, and DOS director</td>
</tr>
<tr>
<td>Cover Letter</td>
<td>Recipient</td>
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<td>--------------</td>
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</tr>
<tr>
<td>N/A</td>
<td>E&amp;I (for distribution to SSAs who did not receive the report directly from the regions)</td>
</tr>
</tbody>
</table>

**Reports provided to investors and lenders should not include information that may be considered trade secret, proprietary, or could expose a CUSO to additional risk** (for example, information related to security controls). If necessary, EICs will document this type of information in a “Closed Section” appendix to the CUSO review report. The Closed Section appendix will be provided to the CUSO, but will not be distributed to credit unions that invest in or loan to the CUSO.

Regions will send the report to [E&I mail](mailto:E&I) and identify which SSAs have already received a copy of the final report. Regions will also identify other SSAs outside their geographical boundaries who need to receive a copy: E&I will send copies of the CUSO report to these SSAs per signed information sharing agreements.

Certain reports may be issued jointly with or through the SSA, which will necessitate alteration of these processes and negotiation with the particular SSA. Template letters may need to be amended to include the SSA’s logo, signature, and related information as appropriate.

**Management Conference**

Once DOS has distributed the final report, the EIC or supervisor may schedule a management conference with CUSO officials. While this conference is not mandatory, the EIC or supervisor will request it if:

- the CUSO Review Report identified material issues, or
- CUSO management requests a conference (management will be provided the option to hold a conference if the CUSO review does not identify material issues)

If scheduled, this conference will be held within 30 calendar days of issuing the final report to the CUSO.
Depending on the severity of the issues and the response of the CUSO’s management team, the EIC may need to schedule a conference with CUSO officials prior to the distribution of the report to discuss proper corrective action. The EIC should discuss this option with, and get concurrence from, their supervisor prior to scheduling.

Even if the SSA is not involved with the review, DOS should extend an invitation to the appropriate SSA to attend the management conference (if scheduled) with CUSO officials. This should only occur when the CUSO has state-chartered credit unions that invest in or loan to the CUSO, or are provided products and services by the CUSO. In these cases, DOS should provide a copy of the final review report to the SSA at least three business days before the scheduled meeting to allow the SSA sufficient time to review the final report.

If a conference is held, the EIC will review report content, discuss all material concerns, and obtain formal agreement on the responses provided by CUSO management. This conference will normally be held with the CUSO board of managers and/or key management depending on the severity of the issues noted during the review. The SSA will be offered the opportunity to attend the conference meeting as applicable. The EIC should include commitments regarding conference results in the Confidential Section of the report.

After the management conference (if one is held) or the final report is issued by DOS, the EIC will compile a final CUSO review package that includes all related and required review items (for example, final report, Confidential Section, etc.). The EIC will send a complete CUSO review package to DOS within five calendar days of the management conference or, if no conference is held, within five calendar days of issuing the final report to CUSO officials.

CUSO Follow-Up Reviews

CUSO follow-up reviews can be conducted when directed by the SE, the DSA director or other senior NCUA officials. The EIC conducting the follow up contact will use their discretion in developing both the content and the format of the follow-up review report. However, at a minimum, the follow-up review report will address action taken by the CUSO officials on the recommended corrective actions outlined in the original CUSO review report.
Once the draft follow-up report is finalized; the EIC will forward a copy of the report to their supervisor for initial review. Upon review and approval, the supervisor will forward the draft follow-up report to DOS Mail. DOS will log the item and review it within 14 calendar days. The responsible DOS analyst, working with the EIC and the EIC’s supervisor, will review, edit, and clarify the report as necessary.

Once the follow-up report is finalized, DOS will distribute the review follow-up report in accordance with distribution procedures outlined in the NSPM and ensure upload of the final follow-up review report in accordance with the procedures outlined in the NSPM.

CUSO Review Report Maintenance

E&I will maintain a CUSO SharePoint site, which will serve as the central repository for all agency CUSO reviews. E&I will organize CUSO reviews by EIN numbers, and will identify CUSOs by name for ease of reference.

Once regional DOS has distributed the final CUSO review report, DOS staff will upload a compressed file (zip file) of the review to the CUSO SharePoint site and send an email to _E&I Mail_ and to all other regional DOS mailboxes to alert them to the upload.

To ensure consistency, regional DOS will:

- Zip all CUSO review files so that only one file for each separate CUSO review is uploaded to the system

- Name the zip file as follows: YYYYMM_EIN, where ‘YYYYMM’ is the effective date (for example, a CUSO with an EIN of 987654 and an examination effective date of June 30, 2014 would be named 201406_987654.zip)

It is imperative that EINs are accurate, since the EIN is the primary identifier for the CUSO. DOS will upload the zip file to the appropriate EIN folder or create a new folder using the CUSO EIN if one does not already exist. For example, a CUSO with an EIN of 987654 would have a folder identified as 987654 (with no other characters in the name). All CUSO reviews will be housed in a folder using the EIN.

E&I DOS staff will amend the master EIN/CUSO list if necessary and ensure appropriate links are maintained to actual CUSO files within seven calendar days of receiving notification of an upload.
State Supervisory Authorities & CUSO Reviews

CUSO reviews may be performed jointly with an SSA or independently by an SSA. For joint reviews, the agency that initiates the review is typically in charge of the review.

SSAs may conduct CUSO reviews and issue CUSO review reports independently, and may provide a copy of the review report directly to the NCUA regional offices.

For independent SSA CUSO review reports, a DOS analyst will prepare a summary of the report outlining areas of concern and any conclusions based on the report. The depth and breadth of this review will depend on the nature of the CUSO.

DOS will route their review comments and a copy of the SSA report to the DOS Director, Regional Director, ARDO, and the ARDP for comments. The DOS analyst will ensure the review report and comments are posted to the CUSO SharePoint site in the same manner as a review completed by the NCUA within 30 days of receipt. In addition the DOS analyst will provide a copy of the final SSA report and summary to regional SEs and DSAs.

Templates

- CUSO Pre-Review Letter
- CUSO Review Scope Workbook
- CUSO Financial Spreadsheet
- CUSO Review Report
- Draft Report Cover Letter to CUSO
- Draft Report Cover Letter to SSA
- Final Report Cover Letter to CUSO
- Final Report Cover Letter to Investors and Lenders
- Final Report Cover Letter to SSA
## CUSO Financial Performance Ratios

<table>
<thead>
<tr>
<th>Ratio Type</th>
<th>Period 1</th>
<th>Period 2</th>
<th>Period 3</th>
<th>Period 4</th>
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<tbody>
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<tr>
<td>Gross Profit</td>
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<tr>
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<td>Assets</td>
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<td>Liabilities</td>
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<tr>
<td>Equity</td>
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### Notes

- The table above provides an overview of CUSO Financial Performance Ratios for the indicated periods.
- Detailed figures are not provided in this summary.
CREDIT UNION SERVICE ORGANIZATION
REVIEW REPORT
Name of CUSO
Date

Prepared by:
National Credit Union Administration
Reviewer in Charge: PE/PCO/Specialist’s Name

The State of XXX (as applicable)
Reviewer in Charge: SSA Examiner’s Name
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<table>
<thead>
<tr>
<th>Section 1</th>
<th>Page 1</th>
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<tbody>
<tr>
<td>Section 2</td>
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<td>Section 10</td>
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The general scope of our review included an assessment of the CUSO’s:
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</table>
Template: Final CUSO Review Report Cover Letter to CUSO
Derivatives Authority

**Part 703, Subpart B** of the NCUA's regulations allows federal credit unions to enter into certain derivatives transactions exclusively for the purpose of reducing interest rate risk. **Section 741.219(b)** requires FISCUs to notify the NCUA 30 days before engaging in derivatives transactions or planning for additional transactions, if already approved to use derivatives.

The standards in this section ensure the NCUA maintains consistent documentation for the administrative record. The following templates related to derivatives are provided in this section:

- Derivatives Information Administration Log (DIAL)
- Acknowledge Interim Application for Derivatives Authority
- Acknowledge Notification of Readiness (Final Application for Derivatives Authority)
- Respond to Incomplete Application for Derivatives Authority
- Derivatives Authority Qualitative Review Checklist
- Approve Derivatives Authority (Interim)
- Approve Derivatives Authority (Final)
- Deny Application for Derivatives Authority
- NCUA Notification of FISCU Derivatives Activity (FISCUs only)
- Acknowledge Appeal
- Deny Appeal

Roles and Responsibilities

To ensure the quality and consistency of the agency’s approval of derivative applications, NCUA staff will perform the responsibilities outlined in this section with regard to the standards established in the NSPM. Staff will maintain administrative records and documents related to applications and notifications for all federal and FISCUs in the Derivatives Information Administration Log (DIAL), which is maintained on SharePoint.
Field Office Responsibilities

- Ensure credit union applications are processed in accordance with the provisions set forth in the NSPM
- Update and maintain the Derivatives Information Administration Log (DIAL) using the standards set forth in this section, to ensure DIAL reflects accurate information for all:
  - Applications and appeals received from federal credit unions
  - Notifications of derivative activity received from FISCUs
  - NCUA derivatives approvals granted, revoked, or denied
  - Supporting documentation for approvals and denials
- Acknowledge all credit union applications and appeals submitted to the NCUA
- Evaluate eligibility of federal credit unions that apply for derivatives per § 703.108 using the Derivatives Authority Qualitative Review Checklist
- Assign staff to determine the eligibility and completeness of derivatives applications
- Assign staff to evaluate the safety and soundness of federal credit unions that apply for derivatives authority
- Notify federal credit unions of incomplete or ineligible applications
- Notify federal credit unions of application approvals (field director)
- Assign an RCMS or ONES capital markets specialist to a derivatives application review panel for each application
- Ensure systems and controls are in place to meet the standards of this section
E&I Responsibilities

- Assign a senior capital markets specialist (SCMS) to the review panel for each derivatives application from a federal credit union
- Monitor periodic reports to review trends and issues related to derivatives
- Track regional and national trends for consistency and to support the development of future policy

Review Panel Responsibilities

The review panel includes a regional capital market specialist, a ONES capital markets specialist, and an E&I senior capital market specialist. The panel has the following responsibilities:

- Conduct a qualitative review of each assigned derivatives application in collaboration with other panel members
- Document the review using the Derivatives Authority Qualitative Review Checklist
- Recommend assigned derivatives application be approved, in part or in whole, or denied
- Coordinate with field office upon completion of the review to direct the panel’s recommendation to the field office director

Field Office Director Responsibilities

- Approve only those applications for derivatives authority for federal credit unions that demonstrate they have established sound systems, processes, and personnel to manage such a program effectively and in compliance with NCUA regulations
- Act on credit union applications in accordance with the policies and procedures set out in related supervisory guidance and in this section
Derivative Application Review Procedures (federal credit unions only)

A federal credit union may seek interim approval to engage in derivatives before it invests in all the systems and requirements that will ultimately be necessary. A credit union that has been granted interim approval must submit a written notice of readiness to the NCUA requesting final approval before it can start using derivatives. There is no timeframe for a credit union to submit a final application to the agency; a credit union may submit a notice of readiness concurrently requesting final approval.

The NCUA processes both interim and final applications for derivatives authority as described below. The field office will consult with the appropriate field staff (district examiner, problem case officer, examiner, and/or specialized examiner) as necessary to process an application for derivatives authority.

<table>
<thead>
<tr>
<th>Application / Notice of Readiness Processing Workflow</th>
<th>Primary Owner(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Log and acknowledge the derivatives application.</td>
<td>Field office</td>
</tr>
<tr>
<td>2. Confirm credit union eligibility, safety and soundness.</td>
<td>Field office and E&amp;I director</td>
</tr>
<tr>
<td>3. Establish a review panel and assign the application for review.</td>
<td>Review panel</td>
</tr>
<tr>
<td>4. Review the credit union’s derivatives program and make a written recommendation to the field office director.</td>
<td>Field office director</td>
</tr>
<tr>
<td>5. Approve or deny requested derivatives authority and notify credit union.</td>
<td>Field office director</td>
</tr>
</tbody>
</table>

Log and Acknowledge the Derivatives Application (Field Office)

Upon receipt of an application for derivatives authority, the field office will create and maintain the electronic Derivatives Information Administration Log (DIAL) to track the application.

Once an application has been logged, the field office will send a letter to the credit union to acknowledge the application. The field office will acknowledge an application for interim approval with the approved template (Acknowledge Interim Application for Derivatives Authority). The field will acknowledge an
application for final derivatives authority using the Acknowledge Notification of Readiness (Final Application for Derivatives Authority) template. The field office will deliver the acknowledgment using the region’s or ONES preferred expedited mail delivery, and will provide a copy to:

- E&I (SCMS)
- Field staff (district examiner, problem case officer, examiner, or specialized examiner)
- Field supervisor (supervisory examiner, national field supervisor, or director of special actions)
- Assigned RCMS or ONES CMS

The director of the field office will coordinate with E&I to establish a derivatives application review panel, made up of:

- One RCMS or ONES CMS (appointed by the field office)
- One SCMS (appointed by E&I)

**Confirm Credit Union Eligibility, Safety and Soundness (Field Office)**

Within ten (10) calendar days of receiving an application for derivatives authority, the field office will determine if the applying federal credit union meets the eligibility requirements using the Qualitative Review Checklist. A credit union that has less than $250 million in assets (as of its most recent Call Report) must provide written documentation that a field director has granted it permission to apply (see § 703.108 (b) of the NCUA's regulations).

The field office will also evaluate the applying federal credit union’s safety and soundness using the Qualitative Review Checklist.

If a credit union has submitted an incomplete package, the field office will send it a letter indicating which item(s) are missing from the application (see the Respond to Incomplete Application for Derivatives Authority template).

If a credit union fails to meet the regulatory eligibility requirements or fails to meet the regulatory requirements for safety and soundness, the field office will deny the application and notify the credit union (see the Deny Application for Derivatives Authority template). This notice will indicate the specific requirement(s) the credit union failed to meet.
The field director will deliver the appropriate notice using the region or ONES’s preferred expedited mail delivery, and will provide a copy to:

- E&I (SCMS)
- Field staff (district examiner, problem case officer, examiner, or specialized examiner)
- Field supervisor (supervisory examiner, national field supervisor, or director of special actions)
- Assigned RCMS or ONES CMS

### Establish Review Panel and Assign Application for Review (Field Office)

For each application submitted by a federal credit union that meets the eligibility criteria, the field office will coordinate with E&I to establish a review panel, and forward the application materials for review. The review panel consists of two members:

<table>
<thead>
<tr>
<th>Employee</th>
<th>Role</th>
<th>Assigned by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional capital markets specialist (RCMS) or capital markets specialist (ONES)</td>
<td>Conducts qualitative review of each assigned derivatives application and makes joint recommendation to approve or deny derivatives authority</td>
<td>Field office or ONES</td>
</tr>
<tr>
<td>Senior capital markets specialist (SCMS)</td>
<td></td>
<td>E&amp;I</td>
</tr>
</tbody>
</table>

The field office will provide the review panel with a [Derivatives Authority Qualitative Review Checklist](#) that reflects the completed eligibility review and safety and soundness evaluation.

Upon assigning an application for evaluation by the review panel, the field office will notify the following by email:

- E&I (SCMS)
- Field staff (district examiner, problem case officer, examiner, or specialized examiner)
• Field supervisor (supervisory examiner, national field supervisor, or director of special actions)

• Assigned RCMS or ONES CMS

Review the Derivatives Application (Review Panel)

The review panel will complete its review of a credit union’s application for derivatives authority using an electronic copy of the Derivatives Authority Qualitative Review Checklist, which it will maintain on the derivatives SharePoint site.

All reviews must be accompanied by a completed checklist that supports the panel’s recommendation to approve or deny the requested derivatives authority. At a minimum, the panel must assess all the elements required by regulation in accordance with the provisions set forth in this section. The review panel may conduct an on-site visit as a component of an application for final derivatives authority. The panel may contact the credit union directly to request additional material(s) as necessary for review.

If the application is substantively incomplete, the panel is unable to contact the credit union directly, or a credit union is unable to provide requested materials, the panel will coordinate with the field office to send the credit union a notice that the application is incomplete. This notice will list the additional document(s) and/or information required to complete the material for consideration (see the Respond to Incomplete Application for Derivatives Authority template).

The field office will deliver this notice using the office’s preferred expedited mail delivery, and will provide a copy to:

• E&I (SCMS)

• Field staff (district examiner, problem case officer, examiner, or specialized examiner)

• Field supervisor (supervisory examiner, national field supervisor, or director of special actions)

• Assigned RCMS or ONES CMS

Each panel member will document his or her review and recommendation to approve or deny the application using the Derivatives Authority Qualitative Review Checklist. Once completed, the panel will coordinate their joint
recommendation with the field supervisor and submit it to the field office director. The field office director makes the final determination to approve or deny each application for derivatives authority, in part or in whole.

The timelines for completing the review vary based on the type and complexity of the application a credit union has submitted:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Interim Authority</th>
<th>Final Authority following Interim Authority</th>
<th>Final Authority with no Interim Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confirm credit union eligibility and review credit union’s safety and soundness (field office)</td>
<td>10 days</td>
<td>10 days</td>
<td>10 days</td>
</tr>
<tr>
<td>Conduct and document qualitative review of application; document and route panel recommendation to approve or deny application to field director (review panel)</td>
<td>40 days</td>
<td>40 days</td>
<td>100 days</td>
</tr>
<tr>
<td>Make final determination of application approval or denial and notify credit union (field director)</td>
<td>10 days</td>
<td>10 days</td>
<td>10 days</td>
</tr>
<tr>
<td>TOTAL</td>
<td>Up to 60 days</td>
<td>Up to 60 days</td>
<td>Up to 120 days</td>
</tr>
</tbody>
</table>

If the review panel determines that additional time is necessary, it will notify the field office. The field office will then provide the credit union the expected completion timeframe. Please note that these timeframes are for the NCUA’s internal planning purposes, and do not entitle a credit union to a decision by a specific date.

When reviewing an application for final derivatives authority, the review panel must consider any significant changes between the credit union’s operational setup as reported in the interim application and in the final application. When a credit union submits an application for final derivatives authority without first
requesting interim authority, the review panel must carefully evaluate the readiness of the credit union.

**Approve or Deny Application and Notify Credit Union (Field Office Director)**

After evaluating the recommendation of the review panel, the field director will decide whether to approve or deny a credit union’s application for derivatives authority. The field office will try to notify a credit union of the agency’s interim and/or final approval or denial for derivatives authority within 10 calendar days of receiving a recommendation from the review panel.

The field office director will send the appropriate notice listed below using the field office’s preferred expedited mail delivery, and will provide a copy to:

- E&I (SCMS)
- Field staff (district examiner, problem case officer, examiner, or specialized examiner)
- Field supervisor (supervisory examiner, national field supervisor, or director of special actions)
- Assigned RCMS or ONES CMS

**NCUA issues interim approval**

The field office director will send the credit union a letter indicating that the NCUA has granted interim derivatives authority (see the Approve Derivatives Authority (Interim) template). This notice must:

- Indicate which derivatives product(s) and/or product characteristic(s) have been approved
- Emphasize that the credit union may not enter into any derivatives transactions until it receives final written approval from an NCUA field director

**NCUA issues final approval**

The field office director will send the credit union a letter indicating that the NCUA has granted final derivatives authority (see the Approve Derivatives Authority (Final) template). This notice must indicate which derivatives product(s) and/or product characteristic(s) have been approved.
NCUA issues denial

The field director will send the credit union a letter indicating that the NCUA has denied the application for derivatives authority (see the Deny Application for Derivatives Authority template). This notice must indicate the reason(s) for the denial and inform the credit union of the option to appeal the denial directly to the NCUA Board.

Derivatives Application Appeal Process

A federal credit union may submit an appeal to the NCUA Board within 60 calendar days of receiving notification that the NCUA has denied derivatives authority. The denial letter provided by the NCUA will inform the credit union of its right to appeal the decision directly to the NCUA Board. NCUA staff will not discourage a credit union from filing an appeal.

A credit union must submit an appeal in writing. The request for appeal should address the specific reason(s) the NCUA should reconsider its decision, and must include any relevant material previously submitted. Section 703.111(d) of the NCUA regulations discusses the appeal.

The field office will create and maintain the Derivatives Information Administration Log (DIAL) of all appeals to maintain accurate records that reflect the actions described in this section.

Once an appeal is logged, the field office will send a letter to the credit union to acknowledge the appeal (see the Acknowledge Appeal template) and provide a status update.

The field director will provide the Board an analysis of each appeal and recommend a disposition. The Board will evaluate each appeal and determine the appropriate action. The Board may request an analysis and recommendation regarding the appeal from E&I, review documentation previously provided by a credit union during the application process, and/or consult with staff when reviewing an appeal. Upon determining the appropriate action, the Board will notify the field office director of its decision.

The field director will send the credit union a notice indicating the NCUA Board’s decision. For a denial, the field office will send the credit union a letter indicating that the appeal has been denied (see the Deny Appeal template). This notice must indicate the reason(s) for the denial.
The field office will send the notice using the field office’s preferred expedited mail delivery, and will provide a copy to:

- E&I (SCMS)
- Field staff (district examiner, problem case officer, examiner, or specialized examiner)
- Field supervisor (supervisory examiner, national field supervisor, or director of special actions)
- Assigned RCMS or ONES CMS

**Derivative Notification Procedures (FISCUs only)**

The NCUA’s derivative rule applies specifically to federal credit unions. The process for a FISCU to receive authority to use derivatives varies by state. A FISCU may have derivatives authority under a state parity provision or by following applicable state regulation with permission from the applicable SSA. State parity provisions are reflected in state regulation or statute, and generally permit a FISCU to operate under the same authority as federally chartered credit unions.

A FISCU must notify the NCUA in writing at least 30 days before it begins engaging in derivatives transactions. The [NCUA Notification of FISCU Derivatives Activity (FISCUs only)](https://example.com) outlines the information a FISCU must report in the notification.

A FISCU can submit the required notification electronically or by hard copy. The director of the applicable field office (typically the DOS) will coordinate the receipt and processing of notifications of derivatives activity received from a FISCU.

The NCUA will log and track each notification it receives from a FISCU. Upon receipt, each notification will be entered into the [Derivatives Information Administration Log (DIAL)](https://example.com) and assigned a number. The official log will be maintained on SharePoint and organized separately for each field office.

The information reflected in DIAL is the NCUA’s official record of the FISCUs that have notified the NCUA of their intent to engage in derivatives.
Derivatives Monitoring and Controls

Field Office Reporting Responsibilities

- Maintain a list of the derivatives authorities granted, revoked, and denied for federal credit unions on SharePoint in the Derivatives Information Administration Log (DIAL). Notifications received from FISCUs will also be logged and maintained in the DIAL on SharePoint.

- Maintain electronic supporting documentation for each approval/denial of derivatives authority and provide reports that track all derivatives authorities as needed.
  - Records must be updated on a monthly basis.

E&I Reporting Responsibilities

- Track national trends each quarter for consistency and to support the development of future policy

- Issue a semi-annual report to field directors of national trends that reflects an analysis of the field office reports

- Conduct quality control by periodically sampling actions taken under this section

---

Templates

- Derivatives Information Administration Log (DIAL)
- Derivatives Authority Qualitative Review Checklist
- Respond to Incomplete Application for Derivatives Authority
- Acknowledge Interim Application for Derivatives Authority
- Approve Derivatives Authority (Interim)
- Acknowledge Notification of Readiness (Final Application for Derivatives Authority)
- Approve Derivatives Authority (Final)
- Deny Application for Derivatives Authority
- NCUA Notification of FISCU Derivatives Activity (FISCUs only)
Appeals

- Acknowledge Appeal
- Deny Appeal
### Derivatives Information Administration Log (DIAL)

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data</td>
<td>Data</td>
</tr>
<tr>
<td>Examples</td>
<td>Examples</td>
</tr>
<tr>
<td>More</td>
<td>More</td>
</tr>
</tbody>
</table>

![Image of a table with data]
## Derivatives Authority
### Qualitative Review Checklist

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Yes</th>
<th>No</th>
<th>Partial</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Management</td>
<td>Risk management plan is in place.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Controls</td>
<td>Controls are in place and effective.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td>Compliance policies are followed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Statements</td>
<td>Financial statements are accurate and complete.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Internal audit is conducted and reviewed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Reviews</td>
<td>External reviews are conducted.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory Changes</td>
<td>Regulatory changes are communicated and implemented.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>Communication with stakeholders is effective.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>Training for all personnel is provided.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reporting</td>
<td>Reporting is timely and accurate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Record Keeping</td>
<td>Record keeping is complete and accurate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incident Management</td>
<td>Incident management plan is in place.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remediation</td>
<td>Remediation plan is in place and effective.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disclosure</td>
<td>Disclosure requirements are met.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Note:** Please review the checklist and ensure all required actions are completed and documented.
### Derivatives Authority
#### Qualitative Review Checklist

<table>
<thead>
<tr>
<th>Item</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 2</td>
<td>❌</td>
</tr>
<tr>
<td>Item 3</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 4</td>
<td>❌</td>
</tr>
<tr>
<td>Item 5</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 6</td>
<td>❌</td>
</tr>
<tr>
<td>Item 7</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 8</td>
<td>❌</td>
</tr>
<tr>
<td>Item 9</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 10</td>
<td>❌</td>
</tr>
<tr>
<td>Item 11</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 12</td>
<td>❌</td>
</tr>
<tr>
<td>Item 13</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 14</td>
<td>❌</td>
</tr>
<tr>
<td>Item 15</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 16</td>
<td>❌</td>
</tr>
<tr>
<td>Item 17</td>
<td>✔️</td>
</tr>
<tr>
<td>Item 18</td>
<td>❌</td>
</tr>
</tbody>
</table>

*Note: The status is represented by ✔️ for completed and ❌ for not completed.*
<table>
<thead>
<tr>
<th>Derivatives Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualitative Review Checklist</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Risk</td>
<td>Understanding of market dynamics</td>
<td></td>
</tr>
<tr>
<td>Credit Risk</td>
<td>Analysis of creditworthiness</td>
<td></td>
</tr>
<tr>
<td>Operational Risk</td>
<td>Assessment of internal processes</td>
<td></td>
</tr>
<tr>
<td>Legal Risk</td>
<td>Compliance with regulations</td>
<td></td>
</tr>
<tr>
<td>Environmental Risk</td>
<td>Consideration of environmental impact</td>
<td></td>
</tr>
<tr>
<td>Technological Risk</td>
<td>Evaluation of technological exposures</td>
<td></td>
</tr>
<tr>
<td>Strategic Risk</td>
<td>Analysis of strategic decisions</td>
<td></td>
</tr>
<tr>
<td>Reputation Risk</td>
<td>Management of reputation</td>
<td></td>
</tr>
</tbody>
</table>
## Derivatives Authority
### Qualitative Review Checklist

![Checklist Chart]

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>State primary objective of the derivative.</td>
</tr>
<tr>
<td>Risk</td>
<td>Identify and assess the risks involved.</td>
</tr>
<tr>
<td>Controls</td>
<td>Implement internal controls.</td>
</tr>
<tr>
<td>Reporting</td>
<td>Ensure timely and accurate reporting.</td>
</tr>
<tr>
<td>Compliance</td>
<td>Meet regulatory requirements.</td>
</tr>
</tbody>
</table>

**Additional Notes:**
- Specific guidelines for each category should be provided in the report.
Template: Acknowledge Interim Application for Derivatives Authority
# NCUA Notification of FISCU Derivatives Activity

*FISCU use only*

## Federally Insured, State-Chartered Credit Union (FISCU) Information

<table>
<thead>
<tr>
<th>Credit union name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter number</td>
<td></td>
</tr>
</tbody>
</table>

## Contact Information

<table>
<thead>
<tr>
<th>Contact name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td></td>
</tr>
<tr>
<td>Email / Phone</td>
<td></td>
</tr>
</tbody>
</table>

## Derivative Products FISCU intends to use / already uses (optional)

<table>
<thead>
<tr>
<th>Derivative Products</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps</td>
<td></td>
</tr>
<tr>
<td>Basis swaps</td>
<td></td>
</tr>
<tr>
<td>Interest rate caps</td>
<td></td>
</tr>
<tr>
<td>Interest rate floors</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury note futures</td>
<td></td>
</tr>
<tr>
<td>Amortizing notional</td>
<td></td>
</tr>
<tr>
<td>Forward start swaps</td>
<td></td>
</tr>
<tr>
<td>Other (List)</td>
<td></td>
</tr>
</tbody>
</table>

## NCUA USE ONLY

<table>
<thead>
<tr>
<th>Date notification received</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Notification received by (name)</td>
<td></td>
</tr>
<tr>
<td>Derivative program use</td>
<td></td>
</tr>
<tr>
<td>New activity</td>
<td></td>
</tr>
<tr>
<td>Existing activity</td>
<td></td>
</tr>
</tbody>
</table>

*Note: The form is designed for FISCUs to report information on derivatives activity. The contact information and derivative products listed are optional and can be updated or added as necessary.*
1.

2.

3.

4.

Last updated March 5, 2019
<table>
<thead>
<tr>
<th>Dishonesty, Fraud, and Insider</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Dishonesty, Fraud, and Insider
Dishonesty, Fraud, and Insider
Fraud Hotline Investigations
Templates

- [Fraud Discovery Checklist for Board of Directors](#)
- [Fraud Discovery Checklist for Examiners](#)
- [Fraud Chronology](#)
- [Fraud Report](#)
Fraud Discovery Checklist for Credit Union Board of Directors

The following checklist will assist officials when fraudulent activities are suspected or discovered. It is provided for guidance only, and should not be construed as an all-encompassing list of required actions when credit union officials suspect or discover fraudulent activities.

Fraud can occur in any department of the credit union, by anyone from a teller to a board member, or a group of employees or board members could also conspire together to commit fraud. Officials should keep this in mind as they begin to act on suspicion of fraud.

Please read the entire checklist prior to completing individual tasks, as items may need to be performed out of order based on specific circumstances.

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Initials</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contact the credit union’s legal counsel for advice on how to proceed.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Contact the credit union’s NCUA examiner and state regulator, if applicable.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Control access of the involved personnel:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Obtain keys and passwords from the individual(s). Request Fed tokens, security codes, user names and passwords, and vendor contact information. If the individual(s) is not cooperative, void authorization access.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Consider contacting law enforcement or a security company if physical security concerns exist.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Prevent removal of any items or possible evidence from the worksite, if this can be accomplished safely.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Access restriction should occur prior to placing the individual on administrative leave.

2 Obtain usernames and passwords for all systems such as web-based applications, third party services, and email provider, payroll administrator, etc.
### Fraud Discovery Checklist for Board of Directors

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Initials</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>d. Revoking remote access to credit union systems.</td>
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<tr>
<td>e. Re-keying locks on doors, disabling electronic badge access, and changing alarm and camera codes. If the building is leased, notify the building management of re-keyed door locks.</td>
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<tr>
<td>f. Changing computer system passwords.</td>
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<tr>
<td>g. Changing signatories and wire authority on bank, Federal Reserve, investment, safekeeping documents, custodian accounts and corporate credit union accounts, etc.³</td>
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</tr>
<tr>
<td>h. Obtaining total control of any post office or mailboxes, night drops, ATMs, vault, teller drawers, etc.⁴</td>
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</tr>
<tr>
<td>i. Notifying third party vendors of the change in personnel and access. Vendors to include initially: ACH service provider, online banking provider, CUSO to support any electronic payment activity, post office box, security system provider, core system provider, ATM network, email provider, and payroll administrator.</td>
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<tr>
<td>j. Ensuring any relevant footage from security cameras is saved, secured, and not subject to being overwritten.</td>
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</tbody>
</table>

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³ Financial institutions normally require identification of new signatories. This process will be facilitated if current signers assist in the change. As different institutions will have varying procedures to make this change, the Board should contact the individual institution for further guidance on how to make the change as soon as possible.

⁴ This includes collecting all keys (such as cash drawers, mailboxes, desk drawers) from the individual and changing combinations where applicable (for example, vault, ATM, night deposit).
<table>
<thead>
<tr>
<th>Tasks</th>
<th>Initials</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>k. Secure credit union owned assets (such as cell phone, laptop, vehicle) from the individual including items maintained offsite.</td>
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<tr>
<td>4. After consulting with the credit union’s legal counsel, restrict access to involved personnel’s credit union accounts, including:</td>
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<tr>
<td>a. Freezing accounts (primary and joint).</td>
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<tr>
<td>b. Closing charge/credit cards, both personal and corporate.</td>
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<tr>
<td>c. Restricting access to safe deposit boxes.</td>
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<tr>
<td>5. Perform review procedures to determine cash differences:</td>
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<tr>
<td>a. Perform cash, vault, and ATM cash counts, under dual control.</td>
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<tr>
<td>b. Account for teller/cashier checks, money orders, and negotiable instruments.</td>
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<tr>
<td>6. Contact involved personnel:</td>
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</tr>
<tr>
<td>a. Consider interviewing the individual(s) to determine if they will share any relevant information. Ensure at least two individuals are present, and document any discussions with the individual(s). Consider having legal counsel present for any interviews. Be vague on the information found, and do not give a possible dollar loss to involved personnel.</td>
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</tr>
<tr>
<td>b. Suspend the personnel involved with pay until an investigation can be completed. Determine if other employees are involved and should also be suspended during the investigation.⁵</td>
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</tbody>
</table>

⁵ Credit union officials should consult with their human resources department and attorney during this step.
Fraud Discovery Checklist for Board of Directors

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<tr>
<td><strong>c. Escort involved individual(s) out the door.</strong> Do not leave involved personnel alone, as they could destroy or remove evidence. Advise them their personal possessions will be inventoried and boxed up, and they will be contacted for pick up.(^6) If there are safety concerns, consider contacting law enforcement or a security company to assist in escorting the individual(s) from the credit union.</td>
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<tr>
<td><strong>7.</strong> Depending on the individual's involvement in credit union operations, fill the operational void caused by the suspension.</td>
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<tr>
<td><strong>8.</strong> Review bond contract to determine notification deadlines, coverage, and notify bonding company of potential fraud.(^7) Also consider hiring specialized bond counsel, if necessary.</td>
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</tr>
<tr>
<td><strong>9.</strong> Isolate and preserve all hard copy and electronic evidence. Ensure originals are in “as-is” condition, and do not write on or alter originals. If necessary, make working copies in order to preserve the originals for evidentiary purposes.</td>
<td></td>
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<tr>
<td><strong>10.</strong> Consider contracting with a third party to complete a mirror image of affected computers and computer systems.(^8)</td>
<td></td>
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<tr>
<td><strong>11.</strong> Determine if a forensic audit is needed.</td>
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</tbody>
</table>

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\(^6\) This step does not include maintaining car keys, wallet, etc. If the individual(s) leaves with a briefcase or bag, officials should check contents for credit union possessions or evidence of the fraud prior to the individual(s) exiting the credit union.

\(^7\) The credit union officials should consider consulting with an attorney to ensure notification deadlines are met.

\(^8\) Mirroring makes an exact copy of the storage media on the computer that is precisely the same as the original both physically and logically. The purpose of mirroring is evidence preservation.
<table>
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<tr>
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<tbody>
<tr>
<td>12. Consider contacting law enforcement, if you haven’t already.</td>
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<tr>
<td>13. Assign a media contact person to develop a message and address any media questions.</td>
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<tr>
<td>14. Inform staff. Messaging to staff should include, at minimum, an emphasis on business as usual, how to respond to member questions, maintaining confidentiality, and avoiding social media posts.</td>
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<tr>
<td>15. If member accounts are involved in the fraud, a verification of member accounts should be performed.</td>
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<tr>
<td>16. File a bond claim after all facts are known and per the bond contract deadlines. A forensic CPA may be able to assist you in filing the bond claim, or using a specialized bond attorney.</td>
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<tr>
<td>17. Once the fraud is confirmed, consult with attorney to formally notify the individual(s) of termination and to determine pay due to involved individual(s). The acceptance of a resignation letter containing a “Hold Harmless” clause will be detrimental in pursuing any restitution. You should consult with your attorney before accepting any resignation letter and ensure any termination letters does NOT contain a “Hold Harmless” clause.</td>
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<tr>
<td>18. Complete a Suspicious Activity Report (SAR) per regulatory requirements.</td>
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<tr>
<td>ID</td>
<td>Name</td>
<td>Type</td>
<td>Notes</td>
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</tr>
<tr>
<td>1</td>
<td>Example</td>
<td>User</td>
<td>Notes</td>
</tr>
<tr>
<td>2</td>
<td>Another</td>
<td>User</td>
<td>Notes</td>
</tr>
<tr>
<td>3</td>
<td>Example</td>
<td>User</td>
<td>Notes</td>
</tr>
</tbody>
</table>

- Example
- Another
District Management

District management encompasses the comprehensive objective of managing and maintaining continuous and detailed knowledge of an assigned district of credit unions. This includes ongoing financial analysis, knowledge of local economic condition, knowledge of current events affecting assigned credit unions, identification of emerging risks, and the routine reporting to management on these issues. The ongoing reevaluation of supervision plans based on this analysis is needed to effectively match resources to risks.

District management also includes the scheduling, the prioritizing, and the administrative tasks associated with the examiner position. Examiners are responsible for effectively managing risk within their districts by scheduling examinations/supervision contacts based on current and emerging risks. Examiners will document supervision and keep their supervisor apprised of any significant issues affecting their ability to provide adequate supervision to assigned credit unions. Effective district management includes the collaboration of examiners, supervisors, regional offices, and the central office to provide risk-focused supervision and mitigate losses to the share insurance fund.

General Supervision Responsibilities

"Supervision" encompasses all examinations, onsite contacts, and offsite contacts performed at credit unions, as well as the documentation of an administrative record. Specific responsibilities are outlined in more detail in the following sections:

- E&I responsibilities
- Regional Director responsibilities
- Supervisor responsibilities
- Field staff responsibilities
E&I Responsibilities

E&I will monitor national status and trends based on quarterly reports prepared by the regional offices. E&I is also responsible for:

- Establishing the national examination scope with regional input
- Evaluating the quality of the credit union examination program
- Collecting and monitoring information on emerging risks, resources, and program quality
- Establishing new examination and quality assurance procedures
- Monitoring overall national trends to ensure a high quality examination program with the objective of minimizing risk to the share insurance fund

E&I is responsible for the overall adherence to established standards outlined in this manual, the Examiner’s Guide, and other national issuances including CAMEL and risk ratings. E&I will also monitor the national status and trends of supervision efforts. E&I will use this information to evaluate risk mitigation and control, identify weaknesses in the supervision processes, and develop and deploy (with regional input) revised supervision policies and procedures.

Regional Director Responsibilities

Regional Directors are responsible for mitigating losses to the share insurance fund, identifying emerging risk trends, and taking proactive steps to correct problems. In addition, Regional Directors are responsible for measuring and monitoring the regional examination program for quality and completeness, as well as adherence to established standards including CAMEL and risk ratings. They will work with supervisors to ensure appropriate specialized resources are provided for institutions that represent a significant risk to the share insurance fund. Regional Directors will report quarterly to E&I regarding the status of their examination programs including adherence to examination and supervision standards. ¹

¹Until a national database/tool is developed, regions will continue to use reporting systems currently in place. Regions should ensure their current systems capture the requested information.
The Regional Director is also responsible for monitoring and evaluating overall supervision efficiency, effectiveness, and timeliness. The Regional Director will monitor supervision efforts through the quality control review process and various available reporting tools, including self-designed monitoring reports. He or she will report on their high-risk credit unions via the monthly management report, High Risk Pipeline Reports and other methods as they become available.

**Supervisor Responsibilities**

Supervisors are responsible for managing risks within their groups and mitigating losses to the share insurance fund. Supervisors must ensure examination/supervision contact reports are high quality, results-oriented work products that:

- Properly identify and rate significant risks
- Assign appropriate CAMEL and risk ratings
- Reflect a complete administrative record
- Develop appropriate plans to correct major problems

Supervisors are responsible for ensuring that examinations/supervision contacts are scheduled, conducted, and completed appropriately. Supervisors will facilitate scheduling for team examinations and request appropriate specialized resources are provided for institutions that represent a significant risk to the share insurance fund.

Supervisors are also responsible for ensuring examiners complete results-driven supervision and provide the proper level and type of supervision for each credit union. Supervisors will ensure examiners properly schedule supervision contacts, within the appropriate timeframes given the conditions unique to each credit union. Supervisors will ensure extension requests are reasonable and justifiable and will not unduly jeopardize credit union operations or risk to the share insurance fund.

Supervisors will use a variety of tools (including, but not limited to, MARS, risk reports, Call Reports, and regional reports) to ensure assigned credit unions receive the proper results-oriented supervision on a timely basis. Supervisors will be responsible for reporting on the highest risk credit unions in their group to their regional office on a regular predefined interval using established...
forms, methodologies, and systems (for example, High Risk Pipeline Reports, critical cases, etc.).

The agency supports providing staff with flexibility to conduct examination work offsite when appropriate. Field staff may voluntarily request to work offsite, including from their residence. When determining whether to approve requests to work offsite, supervisors will consider the following (including, but not limited to):

- Whether the work can be effectively accomplished offsite
- If the proposed alternate worksite is suitable (such as the work can be done in accordance with agency data security requirements)
- Any developmental or supervisory oversight needs for the examiner
- The needs of the EIC in conducting and managing a team exam
  - For team exams, supervisors will consult with the EIC before approving any requests of team members to work offsite. Supervisors will make the final determination regarding whether to approve offsite work.

Supervisors will not require employees to work at their residence, incentivize staff to work offsite, or penalize employees for not volunteering to work offsite. Supervisors may direct field staff to work onsite at a credit union, and may direct field staff to work from a suitable alternate location (that is, not the credit union) other than their residence.

In the event a supervisor directs field staff to work offsite (a location other than the credit union), the supervisor will provide a suitable worksite if the employee opts not to work from home. For example, if a credit union is unable to provide space for examiners due to an unforeseen emergency, field staff may opt to work from home. If field staff choose not to work from home, the supervisor must provide a suitable alternate worksite for the examiner(s).

Field Staff Responsibilities

Examiners are responsible for effectively managing risk within their districts and mitigating losses to the share insurance fund. Examiners will schedule examinations and supervision contacts based on identified and emerging risks and in accordance with this manual. Examiners will complete examinations/supervision contacts according to standards established in this
manual, within the *Aires 2005 User’s Manual*, the *Examiner’s Guide*, and other applicable references including CAMEL and risk ratings with the focus on timely correction of identified problems. For corporate credit union examinations, refer to the Corporate Exam Work Center Manual.

Examiners will utilize all tools available to identify current and emerging risks in credit unions. These include, but are not limited to:

- Examiner’s Guide
- NCUA SharePoint sites
- Letters to Credit Unions
- Regulatory and Risk Alerts
- NCUA Legal Opinions
- Financial Performance Reports
- Risk reports
- Whitepapers
- FFIEC guidance
- NCUA Supervisory Letters

Examiners are also responsible for completing results-driven supervision and ensuring compliance with the supervision and reporting requirements of this section of the NSPM which include, but are not limited to, effectively, efficiently, and timely scheduling onsite and offsite contacts for their assigned credit unions. Examiners will keep their supervisor apprised of any significant issues affecting their ability to conduct adequate and proper supervision of their assigned credit unions. Examiners will be responsible for reporting to their supervisor and/or other offices (as needed) their supervision and oversight efforts.

Examiners are responsible for supervising assigned credit unions through:

- Conducting ongoing, results-oriented examination and supervision contacts
- Writing Call Report Risk Reviews based on national risk reports
- Analyzing FPRs
Communicating with officials and management in an ongoing manner

Maintaining a Supervision Chronology Report (see the Supervision Chronology Report section of the NSPM for more info), commonly referred to as a “chronology,” for:
- CAMEL 3 credit unions that have more than $250 million in assets
- All CAMEL 4/5 credit unions
- Credit unions that require a 90-day follow up for significant record-keeping concerns

Examination and Supervision Budgeting

Budgeting is critical to effectively manage resources. Appropriate budgeting ensures resource allocation can be directed to the credit unions of regional and national significance.

Each year, E&I issues workload budgeting instructions and guidance for the subsequent year. Regions then provide guidance to field staff.

Examiner

The budgeting process begins with examiners. Examiners will follow the instructions provided by the region for the annual budget process. Examiners are responsible for using historical knowledge of the credit union, MARS, and/or the “Plans and Budget” tab in the Scope module to view previously recommended examination/supervision hours for each district credit union. For corporate credit unions and natural person credit unions with assets greater than $10 billion, examiners will use the most recent Supervision Plan or other historical information.

Based on this information, examiners will submit recommended estimated hours to their supervisor during the annual resource planning process using the credit union resource allocation module in MARS online.

Examiners will also recommend specialized resources in consultation with their supervisor when the size, complexity, or potential risk to the share insurance fund warrants the use of specialized expertise (for example, regional office/ONES staff, central office staff, AMAC, outside contractors).
Examiners will consult with their supervisor during the year if conditions warrant changes to the examination budget. Specifically, examiners should contact their supervisor if they need additional time to complete an examination, supervision contact, review of a state exam, RATE review, or any other examination or supervision-related activity.

**Supervisor**

Supervisors are responsible for:

- Managing resources on an ongoing basis throughout the year to ensure the proper development of examiners and completion of program including the resolution of identified problems
- Managing resources to effectively supervise credit unions in their group
- Using sound judgment to approve reasonable examiner requests for additional time to complete examination and supervision-related activities
- Evaluating the annual budget recommendation for the group after consulting with district examiners
- Monitoring and reconciling group budgets monthly using the MARS online system and according to ARD direction
- Reporting the group program status, variances, and shortfalls to the ARD monthly; adjusting budgets or requesting assistance when group resources are not sufficient to complete the examination program or as conditions warrant
- Submitting the annual resource budget for their assigned credit unions to the ARD, using the information examiners have provided. The process will include an analysis of the level of supervision, timing of exams, balancing of the year-to-year workload, and coordination with the state supervisors for FISCUs (to the extent possible)

**Regional Director / ARD**

ARDs are responsible for managing the regional resources budget and keeping the Regional Director informed of the status of regional examination/supervision programs. ARDs will reallocate regional resources and coordinate with the other ARDs and the Regional Director to secure assistance when group resources are not sufficient. ARDs will ensure all workload budgets are reconciled by the 15th of each month. Regional Directors will notify E&I if
they anticipate the region will not be able to meet examination or supervision requirements.

**E&I**

E&I is responsible for monitoring regional compliance with national examination and supervision program policies. E&I will:

- Periodically request reports and other program information from the regions
- Review the status of regional and national program completion and emerging needs
- Establish national priorities when conditions warrant to ensure completion of national program goals
- Identify national trends and resource priorities

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**Scheduling Examinations**

The NCUA’s examination scheduling program incorporates an extended examination cycle for eligible credit unions. The examination cycle does not limit the NCUA’s authority to examine any federally insured credit union as frequently as the agency deems necessary. The NCUA will consider financial trends, risks, and other facts or circumstances to determine if a more frequent examination or supervision contact is required.

| The start date for an exam is the first date an examiner charges time to WCC 10 or WCC 11 (when conducting exam work either on site or offsite). Examiners must ensure the AIRES start date is consistent with this definition. |

1. Federal Credit Unions

Examinations for federal credit unions eligible for an extended cycle will have a start date between 14 and 20 months from the prior examination completion date. Examinations for all other federal credit unions will have a start date between 8 and 12 months from the prior examination completion date. A
federal credit union is eligible for an extended examination cycle if it meets all of the following criteria as of the last examination:

- CAMEL code 1 or 2, both in composite and management rating components
- Assets less than $1 billion
- “Well capitalized” per prompt corrective action regulations
- No outstanding DOR items related to significant recordkeeping deficiencies, and
- Not operating under a formal or informal enforcement or administrative order, such as a cease and desist order, letter of understanding and agreement, preliminary warning letter, or PCA directive

If a credit union’s eligibility for an extended cycle changes subsequent to an examination (for example, the CAMEL rating is downgraded or upgraded, or the net worth ratio falls below seven percent), examiners should discuss supervision plans with their supervisor. E&I will measure compliance with examination scheduling based on the credit union’s eligibility as of the last exam. If earlier supervision is warranted, examiners should conduct onsite supervision or request a waiver to start the examination prior to the 14 months.

Additionally, small credit unions with limited segregation of duties that are otherwise eligible for an extended exam cycle may be examined more frequently on a random-sample basis.

**FISCUs**

A FISCU that meets any one of the following criteria as of the last exam will receive an NCUA examination with a start date between 8 and 12 months from the prior NCUA exam completion date:

- Assets greater than $1 billion
- Composite NCUA CAMEL code 4 or 5 with assets greater than $50 million, or
- Composite NCUA CAMEL code 3 with assets greater than $250 million

All other FISCUs will receive an NCUA examination based on risk and emerging trends, including small credit unions with internal control weaknesses, or on a
sample basis as part of the agency’s overall due diligence. Regions will budget to examine each FISCU at least once every five years.

The NCUA will make every effort to conduct examinations of FISCUs jointly with the appropriate SSA, as long as the time between examinations does not exceed the NCUA’s needs as insurer. The NCUA will only conduct an independent insurance review when a joint examination cannot be coordinated with the SSA.

**Corporate Credit Unions**

All corporate credit unions must be examined once each calendar year, regardless of asset size. The maximum time between completion dates is 12 months, unless the Deputy Director approves an extension.

**Requests to Vary from Examination Scheduling Requirements**

To request any variance from the examination scheduling requirements (to examine a credit union more or less frequently than required by the criteria established in this section of the NSPM), an examiner will submit a written justification to the field supervisor for consideration. Examiners will document their justification for any variance request, and any related approval or denial, in the Confidential section.

Supervisory examiners may approve or deny, in writing, requests for variances up to 30 days from the timeframes outlined in the examination scheduling requirements. For example, a field supervisor may approve a request to start an examination up to 30 days before the 14-month minimum start date for a credit union that qualifies for the extended examination cycle. Similarly, a field supervisor may approve a request to start an examination up to 30 days after the 12-month start date requirement for a credit union that does not qualify for the extended examination cycle. However, the ARD may still require the field supervisor to notify them of any variations approved or denied under this authority.

Field supervisors will review requests for variances greater than 30 days and will either deny the request and notify the examiner in writing, or forward the request to the ARD for consideration.

ARDs must approve or deny, in writing, requests for variance that are greater than 30 days from the timeframes outlined in the examination scheduling
requirements. Regions will maintain a log of all scheduling variances that have been approved or denied.

**Exam Scheduling Responsibilities**

**Examiners**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Responsibilities</th>
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</thead>
<tbody>
<tr>
<td>Scheduling</td>
<td>To request any variance from the examination scheduling program, examiners will submit a written justification to the supervisory examiner for consideration. Examiners will document their justification for any variance request and any related approval or denial in the <strong>Confidential section</strong>.</td>
</tr>
<tr>
<td>Supervising</td>
<td>Examiners will monitor and supervise federally insured credit unions consistent with their size, complexity, condition and timing of the next examination. Periodically, but at least quarterly, examiners will re-evaluate their supervision plans for each assigned credit union using Call Report and other information.</td>
</tr>
<tr>
<td>Changes</td>
<td>Examiners may change their exam and supervision plans at any time if circumstances warrant. Changes will be made through the assigned field supervisor.</td>
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</table>

**Field Supervisors**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Responsibilities</th>
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</thead>
<tbody>
<tr>
<td>Oversight</td>
<td>Supervisors will monitor their examiners’ resource allocation plans for appropriateness and consistency with the appropriate scheduling program. They will evaluate scheduling changes throughout the year to ensure they meet budgetary goals and maintain a results-oriented examination program.</td>
</tr>
<tr>
<td>Reporting</td>
<td>Supervisors will record and report the scheduling information for their assigned credit unions as changes are made during the year.</td>
</tr>
</tbody>
</table>
Exceptions

Supervisors will review all requests for variances in completion timeframes (examining a credit union more or less frequently than required by the criteria established in this section of the NSPM), and will either deny the request and notify the examiner in writing, or forward the request to the ARD for consideration.

ARDs

<table>
<thead>
<tr>
<th>Topic</th>
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</thead>
<tbody>
<tr>
<td>Oversight</td>
<td>ARDs will evaluate information submitted by field supervisors for reasonableness and ensure it accurately reflects the region’s examination scheduling needs and risk profile.</td>
</tr>
<tr>
<td>Reporting</td>
<td>ARDs are responsible for monitoring examination timeframes and reporting their region's examination scheduling program.</td>
</tr>
</tbody>
</table>

Regional Directors

Regional directors are responsible for monitoring exceptions and variances in the program to ensure they are reasonable. They are also responsible for program completion.

E&I

E&I will oversee the program for consistency and quality. Oversight will include monitoring of examination completion averages and analysis of examinations completed outside of the minimum and maximum parameters.

Examiner Work Allocation

The NCUA distributes examination and supervision work among examiners to maximize flexibility as work is assigned and developmental opportunities are available. The NCUA follows OPM standards by limiting work that an employee at a specific grade performs to tasks and activities that are grade-appropriate at least 75 percent of the time.
Employees may perform work at a higher grade level up to 25 percent of their total time, according to OPM standards.\(^1\) As such, non-PEs may spend no more than 25 percent of total work time each calendar year in charge of *large, complex, difficult, or sensitive credit union work*, which is defined as:

<table>
<thead>
<tr>
<th>WCC</th>
<th>Work Conducted</th>
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<tbody>
<tr>
<td>05-Lending Specialists</td>
<td>All</td>
</tr>
<tr>
<td>07-Capital Market Specialist</td>
<td>All</td>
</tr>
<tr>
<td>08-SME Special Program Time</td>
<td>All</td>
</tr>
<tr>
<td>19-ISO/NPS/NISO Time</td>
<td>All</td>
</tr>
<tr>
<td>12-Examination Corporate FCU</td>
<td>All</td>
</tr>
<tr>
<td>13-Examination Corporate SCU</td>
<td>All</td>
</tr>
<tr>
<td>35-SE/DSA Details</td>
<td>All</td>
</tr>
<tr>
<td>40-OJT SME Trainer (non-PEs are not authorized to charge time to this WCC)</td>
<td>All</td>
</tr>
<tr>
<td>29-CUSO Reviews</td>
<td>Time as EIC</td>
</tr>
<tr>
<td>24-Vendor Reviews</td>
<td>Time as EIC</td>
</tr>
<tr>
<td>50-Conservatorship Administration FCU</td>
<td>Time as EIC</td>
</tr>
<tr>
<td>51-Conservatorship Administration FISCU</td>
<td>Time as EIC</td>
</tr>
<tr>
<td>90-Fraud Supervision On-site - FCU</td>
<td>Time as EIC</td>
</tr>
<tr>
<td>91-Fraud Supervision On-site - FSCU</td>
<td>Time as EIC</td>
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<td>95-Pre-Exam Planning FISCU</td>
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Time as EIC or district examiner for credit unions that are at least one of the following as of the effective date of the exam or contact:

- CAMEL composite 4 or 5 with assets greater than $25 million
- CAMEL composite 3 with assets over $50 million
- $100 million or more in assets

Only examiners at the CU-09 grade or higher may be district examiner or EIC of a credit union that would result in the assignment of large, complex, difficult, or sensitive credit union work. Examiners at the CU-09 grade or lower may participate on examinations and supervision contacts for a credit union that is large, complex, difficult, or sensitive credit union work, but may not be EIC or assigned district responsibility.
If a credit union is classified as large, complex, difficult, or sensitive credit union work after being assigned to an examiner at the CU-09 grade or lower, the supervisor must reassign the credit union to an examiner at the CU-09 grade or higher. If the change in classification is due to an examination or contact in process (for example, downgrade of the CAMEL composite rating), the district reassignment may occur after the examination or contact is completed.

Temporary exceptions to this policy may be allowed in the event of a systemic, non-recurring agency need (for example, a natural disaster or widespread economic disruption) or an unexpected change in circumstances for an individual (for example, a change in the assets or CAMEL composite rating that occurred after the exam or contact was initiated, causing the individual to exceed the limit). Exceptions must be authorized by the Executive Director.

Concentration Risk Reviews

NCUA Letter to Credit Unions 10-CU-03, Concentration Risk (March 2010), defines concentration risk as any single exposure or group of exposures that have the potential to produce losses large enough (relative to capital, total assets, or overall risk level) to threaten a financial institution’s health or ability to maintain its core operations.
Notice of Troubled Condition

Examiners must notify a federal credit union which has been newly down-graded to a CAMEL 4 or 5 of the credit union’s troubled status. The examiner may choose to include the forms referenced in the required language below in the exam report, or provide the credit union with the specific location of the forms on the NCUA public website as necessary. The examiner will include the following text in the open section of the report:

“Your credit union is coded CAMEL 4 [or 5] as a result of this examination (or onsite supervision contact). Therefore, the [Credit Union’s Name] Federal Credit Union is now designated in troubled condition
per Section 212(f) of the Federal Credit Union Act and § 701.14 of the NCUA's regulations. You must obtain NCUA approval for changes of officials and senior executive officers at least 30 days prior to the effective date of the change, or within 48 hours of election at an annual membership meeting. You can find this information on the NCUA’s website. The procedures remain in effect until the credit union is upgraded to a CAMEL 3 or better.”

Examiners must notify an FCU which has been newly upgraded from a CAMEL 4 or 5 to a 3 or better that the credit union is no longer considered in troubled condition. This is done by including the following excerpt in the open section of the report:

“Previously, your credit union received notification it was subject to requirements under § 701.14 of the NCUA's regulations. As a result of your credit union's CAMEL rating upgrade to a CAMEL [enter CAMEL rating of 3, 2, or 1] rating and removal from troubled status, you are no longer required to obtain the NCUA approval for changes of officials and senior executive officers.”

FISCU in Troubled Condition

The NCUA will not designate a FISCU to be in troubled condition without first making an onsite contact at the credit union. A FISCU that has been assigned a 4 or 5 CAMEL composite rating by either the NCUA, after an on-site contact, or its state supervisor, must be notified of its troubled status.

- NCUA examiners must notify a FISCU which has been newly downgraded to a CAMEL 4 or 5 by the NCUA during a joint examination, onsite contact, or insurance review of the credit union’s troubled status.
- NCUA examiners will include the following language at the top of the FISCU CAMEL Evaluation Form in AIRES: “Your credit union is coded CAMEL 4 [or 5] by the NCUA as a result of this examination [or onsite supervision contact]. Therefore, the [Credit Union's Name] Credit Union is now designated in troubled condition per Section 212(f) of the Federal Credit Union Act and § 701.14 of the NCUA's regulations. You must obtain approval from your state supervisor and the NCUA for changes of officials and senior executive officers at least 30 days prior to the effective date of the change, or within 48 hours of
election at an annual membership meeting. You can find this information on the NCUA’s website. The procedures remain in effect until the credit union is upgraded to a CAMEL 3 or better.”

- A FISCU that has been newly downgraded to a CAMEL 4 or 5 as a result of the state supervisor’s rating must be notified of its troubled status. This situation will generally occur when the NCUA does not participate on the examination and the state’s CAMEL rating is a 4 or 5 (regardless of the NCUA’s CAMEL rating on the WCC 26 review); or if the NCUA’s CAMEL rating during a joint examination is a 3 or better while the state’s CAMEL rating is a 4 or 5. In situations where the NCUA did not participate and concludes a FISCUs CAMEL rating is a 4 or 5 during the WCC 26 review (and the state rating is a 3 or better), an onsite contact is required to be completed within 60 days. In such instances, the FISCU will be notified of its troubled status on the CAMEL disclosure issued during the onsite contact and not before.
  - During the required WCC 26 review, NCUA examiners will determine if the FISCU received written notification of its troubled condition by the state supervisor via the examination report, separate letter, or otherwise.
  - If notification by the state supervisor cannot be confirmed, the NCUA examiner will draft a letter notifying the FISCU of its troubled status using the Notify FISCU of Troubled Condition template. Once prepared, the letter will be processed for the Regional Director’s signature through the examiner’s supervisor, and the regional office.

- When both the state supervisor and the NCUA have newly upgraded a FISCU to a CAMEL 3 or better, NCUA examiners must notify the FISCU that the credit union is no longer considered in troubled condition. FISCUs are considered troubled based on the CAMEL composite rating by either the state supervisor or the NCUA; this status can only be removed when both the state supervisor and the NCUA upgrade a FISCU’s CAMEL composite rating to a 3 or better as a result of an examination or onsite contact.
  - NCUA examiners will notify the FISCU by including the following excerpt at the top of the FISCU CAMEL Evaluation Form: “Previously, your credit union received notification it was subject to requirements under § 701.14 of the NCUA’s regulations. As a result of your credit union’s CAMEL rating upgrade to a CAMEL [enter CAMEL rating of 3,
2, or 1] rating and removal from troubled status, you are no longer required to obtain the NCUA's approval for changes of officials and senior executive officers. Please consult with your state regulator to determine whether you must continue to notify their office of any changes of officials and senior executive officers."

- In instances where the state regulator is the last to upgrade a FISCU from troubled condition to a CAMEL composite 3 or better and the NCUA does not participate on the examination/contact resulting in the upgrade by the state, NCUA examiners will attempt to verify whether the state supervisor provided the FISCU with written notification of the removal of its troubled status via the examination report, separate letter, or otherwise.

- If notification by the state supervisor cannot be confirmed, the NCUA examiner will draft a letter notifying the FISCU of the removal of its troubled status using the Upgrade FISCU from Troubled Condition Status template. The letter will be processed for Regional Director signature through the examiner’s supervisor, and the regional office.

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**Call Report, Trending Analysis, RADAR, and RATE**

The trending process is a means to identify and evaluate existing or emerging risk, highlight supervision needs, adjust supervision plans if necessary, and provide for a more effective allocation of examiner resources. The trending process is an integral part of the examiner’s offsite supervision process and overall district management. Because examinations and onsite supervision contacts are performed at a specific point in time, offsite supervision provides for an ongoing awareness to any changing financial conditions, risk indicators, and/or emerging risks that may be developing in an examiner’s assigned district(s).

Examiners no longer have to validate Call Reports unless instructed by the regional or ONES Offices to validate a Call Report prior to the end of the day. OCIO will initiate an auto-validation process each day at midnight. E&I will provide reports to the regions and ONES of any errors or warnings detected by the auto-validation process. Auto-validation does not replace or rescind the requirement to review the Call Report and Profile and complete the required Call Report and CU Profile questionnaire during examinations, as outlined in NCUA Instruction 5000.20, Examination Scope.
To conduct the quarterly trending process and assess risk in credit unions, regional staff will use the Risk Assessment and Data Analytics Rating (RADAR) dashboard. ONES staff will use the Risk Analysis and Trending Evaluation (RATE) tool to document their quarterly analysis.

The time examiners charge for quarterly monitoring and completing RADAR or RATE for their districts (WCC 20 or WCC 21) should generally fall within the guidelines specified in the applicable Resource Budget Program. Examiners should contact their supervisor if they need additional time for Trending Analysis and RADAR or RATE. Supervisors should approve additional time as warranted.

Responsibilities

Specific responsibilities associated with the Call Report, trending analysis, and RADAR/RATE are outlined in more detail in the following sections:

- **E&I**
  - Regional DOS
  - ONES DOS
  - Regional field supervisor
  - ONES field supervisor
  - Regional field staff
  - ONES field staff

**Office of Examination and Insurance**

- Provide reports generated from the auto-validation process to the regional offices and ONES
- Post the due dates for RADAR and RATE within the applications or notify staff by email

**Regional Division of Supervision**

- Send quarterly regional RADAR Review deadline reminders consistent with the national due date
- Notify field staff of any Call Report errors or outliers identified by E&I that
require further review and follow-up

- Distribute field supervisor RADAR review assignments selected using criteria approved by the Regional Director
  - Regional Directors will establish criteria to select a meaningful sample capturing material risk areas and emerging issues.

- Monitor completion and perform a quality control review of a sample of RADAR dashboard responses no later than 15 business days after field supervisors complete their review
  - The scope of the reviews will be at the Regional Director’s discretion.

- Track field supervisor completion of RADAR reviews to confirm all credit unions receive at least one review each calendar year, all credit unions receive a review within a 12 to 18 month period, and the average time between reviews for each credit union is 15 months or less

ONES Division of Supervision

- Send quarterly RATE Review deadline reminders consistent with the national due date

- Notify field staff of any Call Report errors or outliers identified by E&I that require further review and follow-up

- Track field supervisor completion of RATE reviews to confirm all credit unions receive a RATE review for each cycle

Regional Field Supervisor

- Review RADAR reports submitted by field staff:
  - Field supervisors will review field staffs’ responses and assessments of risk, and document their reviews in the SE Comments section located on the credit union Overview tab

  - The Regional Director will determine the scope of field supervisor reviews, but will require, at a minimum, supervisor review of all credit unions with a High final rating.

  - Field supervisors will have 30 calendar days to complete their review of the examiners’ assessments.
• Notify the ARD of any specific credit union in which supervision plans materially changed as a result of the RADAR review, necessitating material budget increases for supervision

**ONES Field Supervisor**

• Review RATE reports submitted by field staff

• Notify the Deputy Director of any specific credit union in which supervision plans materially change, as a result of the RATE review, necessitating material budget increases for supervision

**Regional Field Staff**

• Review Call Report errors or outliers when instructed by the regional office

• Complete the RADAR Dashboard tool:
  
  • Review the four risk areas and analyze the results

  • Complete the Examiner Survey located on the credit union overview tab, including a review of:

     • **BSA Monitoring Tool**

     • Note any adverse trends that may cause a change to supervisory plans or require the addition of a BSA SME for the next exam or contact

     • **Fraud Indicator Report**

     • Note any adverse trends that may cause a change to supervisory plans or require the addition of a RIC SME for the next exam or contact

     • Risk Reports

     • Note any adverse trends that may cause a change to supervisory plans

     • New audits received during the quarter
• Determine whether a credit union has received a new audit that fulfills the requirements of part 715 or part 741 of the NCUA’s regulations

• If the Profile indicates a new audit has been completed, request a copy of the audit within 10 business days of reviewing the Profile and review it as described in the NSPM

• Complete the Executive Summary to
  • Provide support for the ratings
  • Determine if supervision plans remain appropriate
  • Provide any additional information not captured by the dashboard to support the examiner’s assessment

• Notify the supervisor when a review is completed

• Request a credit union submit a revised Call Report if review of RADAR identifies a call report error

**ONES Field Staff**

• Review Call Report errors or outliers when instructed by the regional office

• Review the credit union's Profile each quarter during the RADAR review to determine whether a credit union has received a new audit that fulfills the requirements of part 715 or part 741 of the NCUA’s regulations
  • If the Profile indicates a new audit has been completed, field staff will request a copy of the audit within 10 business days of reviewing the Profile. Field staff will request and review a copy of the audit report as described in the NSPM.

• Access the Risk Analysis and Trending Evaluation tool (RATE)

• Access the NCUA Consumer Assistance Center Consumer Complaint Portal through the hyperlink in RATE:
  • Search by credit union name or charter number and determine if the credit union received new complaints since the last complaint review date
• Review new complaints to determine if possible weaknesses exist in compliance management.

• Note any adverse trends that may require the addition of a CC SME for the next exam or contact. Examiners should not discuss individual complaints filed with the Consumer Assistance Center with the credit union or contact a consumer regarding these complaints.

• Complete the RATE Dashboard, which should include an analysis of:
  • FPRs
    • Note any adverse trends that may cause a change to supervisory plans.
  • Risk Reports
    • Note any adverse trends that may cause a change to supervisory plans.
  • Fraud Indicator Report
    • Note any adverse trends that may cause a change to supervisory plans or require the addition of a RIC SME for the next exam or contact.
  • BSA Monitoring tool
    • Note any adverse trends that may cause a change to supervisory plans or require the addition of a BSA SME for the next exam or contact.

• Monthly financial statements or board packages, when requested by the examiner and provided by the credit union (for example as part of additional supervision of a credit union). This is not required if there is an uploaded offsite contact that documents the review.

• Submit the review to your supervisor

Examiners must complete the RATE Dashboard for each credit union in their assigned district and submit it to their supervisor. With the exception of the September cycle, which is shortened to ensure RATE reviews are completed by
year-end, examiners will have approximately 75 days from the cycle date to complete their review.

Confidential Section

The Confidential Section of an examination report is for the NCUA’s internal use only. Examiners should use this section to document any actions which take place during the examination that are not discussed elsewhere in the report. It is also the appropriate place to discuss information that may be necessary to support the administrative record, such as management’s inability and/or unwillingness to correct areas of concern.

Examiners will address the following in the Confidential Section:

- Number and type of attendees of the joint conference and/or exit meeting (for example, five board members, one Supervisory Committee member, SE Smith)
- Summary of subjects discussed (outside of what can be found in the open section) at the joint conference or exit meeting including agreements reached and acceptance of the DOR
- Any plans for escalation of administrative action
- Explanation of any CAMEL rating differences or other differences during joint insurance reviews and joint examinations of FISCUs
- Any approvals or concurrences from their supervisor or ARDP concerning conditions or actions taken during the examination (reject audit, no LUA with repeat DOR, issuing a PWL, LUA, EIC rotation exceptions, adjustments in CAMEL ratings, MBL waiver violations not presenting a heightened level of risk, etc.). The examiner will include the reasons for the recommendation, the anticipated date the problems will be resolved, the recommended course of action if the problems are not resolved, and the examiner’s plans for supervision
- Any other pertinent information about management in order to maintain a full administrative record (for example, management’s and officials’ abil-

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1See memo from E&I director to all field staff dated August 20, 2014.
ity to resolve issues, knowledge level of credit union operations, not providing an AIRES download)

- Any deviations from budgeted hours, documenting supervisor concurrence
- Any expansion beyond the SCUEP defined-scope procedures, including how and why the scope was expanded, documenting supervisor approval in the Miscellaneous Exam Considerations section (if applicable)
- Reason why report not completed or uploaded within required time-frames (if applicable)
- Reasons a joint FISCU exam was not possible, including efforts made to coordinate the joint examination with the SSA, when applicable.

Remember that agency records, including the Confidential Section, can be subpoenaed.

Joint Conferences and Exit Meetings

A joint conference is a meeting of the examiners and a sufficient number (quorum) of the board of directors to conduct official credit union business. It provides the examiner the opportunity to reach agreements with the board that they will take appropriate action for reducing levels of unwarranted risk in the credit union.

Examiners must hold a joint conference at the end of every examination and follow-up examination for CAMEL 3, 4, and 5 credit unions. In CAMEL 1 or 2 credit unions, a joint conference is not mandatory; however, examiners must make credit unions aware of the option of holding a joint conference by offering a joint conference to the board chair (or their board member designee, not to include a credit union employee) and document the decision in the Confidential Section. The examiner may also elect to hold a joint conference if the examination reveals substantive concerns or there is a need for a communication forum.

Examiners will conduct an exit meeting at the end of every examination and for any onsite supervision contact that results in a report or other correspondence. An exit meeting differs from a joint conference in that an exit meeting does not require a quorum of the board attend. Attendance generally consists of top
management, key staff members, and preferably one or more officials (board members or Supervisory Committee members). When no joint conference is scheduled, examiners should extend an invitation to the board and Supervisory Committee chairpersons to attend the meeting.

The examiner will provide adequate information to allow recipients to make an informed decision regarding whether any of the officials would like to participate in the exit meeting or have a joint conference. Examiners should make every effort to confirm commitment from management and the officials present at the exit meeting to take corrective action, if necessary.

If material information arises that has not been presented to managers, field staff may reschedule the joint conference, exit meeting, or release of the examination report until the information is presented, or may conduct a follow-up meeting. Examiners must obtain supervisor approval if they exceed the exam completion parameters addressed in the District Management section of the NSPM.

Key assertions may be withheld from management in the event they merit discussion directly with a credit union board of directors. An example of such a circumstance is suspected fraud.

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**Communicating Directly with a Credit Union**

**Informal Communication**

Examiners may use e-mail as an informal means of communication with credit unions in place of, or in addition to, telephone calls. Examiners must use ZixMail, the NCUA’s secure e-mail program, when discussing confidential matters with credit unions through email. Instructions for using ZixMail are available in the NCUA’s *Hi Tech Manual* under Outlook 2010.

Examiners may not share information obtained from a credit union with another credit union (for example, sample policies, etc.) without the originator’s express permission. In addition, examiners will not forward regional/central office email correspondence directly to the credit union.
Formal Communication

Formal written communication with a credit union is typically initiated by the examiner and supervisor and processed through the regional office. The Audits, Recordkeeping, and Fraud and Regulatory Waivers and other Regulatory Actions sections of the NSPM present common types of written correspondence. These sections provide many templates which contain the minimum documentation standards and should be used as a starting point when preparing credit union correspondence. Employees can also reference the NCUA Communications Manual for more information.

- In most cases, the Regional Director’s response is addressed to the board of director's chairperson at the credit union’s address, with a copy to the CEO as appropriate. Correspondence is not typically mailed directly to the home of a board member unless there has been a problem with the correspondence being delivered (for example, there is a question of confidentiality, or, if appropriate, in some cases of negative correspondence such as a Regional Director letter for significant violations or safety and soundness issues). When mailing items to the home address of any board member, the outgoing correspondence should be marked “confidential and private”. In special cases, DOS may mail correspondence to each board member’s home or the supervisor may determine if delivering the correspondence in person is appropriate.

- Examiners and supervisors should be copied on all outgoing correspondence. The SSA should be copied on all outgoing FISCU correspondence.

- DOS has the discretion to add line items such as "cc" and "bcc" recipients, “sent via FedEx – Signature Required,” etc. to templates

Writing Guidelines

The NCUA is responsible for ensuring that agency personnel prepare documents intended for the public according to plain writing guidelines. Information about the Plain Writing Act of 2010 can be found on the NCUA’s website. The plain writing guidelines used by the NCUA can be found at PlainLanguage.gov. Plain language (also called plain English) is communication your audience can understand the first time they read or hear it.
Plain language is defined by results—it is easy to read, understand, and use. Staff should incorporate the following writing techniques to help achieve this goal:

- Logical organization with the reader in mind
- "You" and other pronouns
- Active voice
- Short sentences
- Common, everyday words
- Easy-to-read design features

A plain language checklist is available on Plain Language.gov. In general, use the following tips when preparing written correspondence:

- Write for the average reader
- Use base verbs, not nominalizations (hidden verbs)
- Present tense is usually best
- Organize content to serve the reader's needs
- Remove excess words
- Organize content with useful headings
- Avoid using more than two or three subordinate levels
- Use short sections and sentences
- Use concrete, familiar words
- Simplify complex material using lists and tables
- Speak to the reader using "you" and other pronouns
- Express requirements with "must" (avoid "shall," which is ambiguous)
- Use active voice
- Place words carefully (avoid large gaps between the subject and object and place modifiers appropriately)
Communicating with Law Enforcement, Outside Audit Firms, or Other Federal Agencies

Examiners must refer all inquiries from law enforcement, outside audit firms, or other federal agencies to the region’s Division of Supervision through their supervisor. Regional Directors should communicate knowledge of any law enforcement investigation to the NCUA Board, OGC, and E&I.

Supervising a New Credit Union

If an examiner is responsible for a new credit union, the following policies apply:

- Contact the credit union officials shortly after approval of the charter in order to arrange for the initial examination (usually within the first six months of operation)
- Perform a supervision contact within 60 days of initial operations, and within every 120 days thereafter for the first two years
- Documentation requirements are the same as for follow-up examinations
- Maintain open communication with the assigned economic development specialist (EDS)
- Document compliance with the LUA or Special Insuring Agreement and adherence to the credit union’s business plan in the Status Update section of the report
- Review all changes in management (officials and key personnel), and determine if changes in officials were approved by the Regional Director and the SSA, if applicable, in accordance with § 701.14e of the NCUA's regulations
- Assess the need for assistance, including enrollment in the NSCUP, and the creation of a mentor relationship with an established credit union
- Discuss findings and recommendations with management during a joint conference and deliver the appropriate sections of the report to the responsible officials
The supervisor will provide a summary of the supervision provided, results achieved, and the prognosis for continued successful operations in the regional monthly management report.

Critical Case Credit Unions

Credit unions that pose the most significant emerging risk to the share insurance fund are known as critical cases. Critical case briefings are part of the region’s risk management practices and provide regional management an opportunity to evaluate the need for enhanced supervision. This section of the NSPM provides insight into the purpose, selection criteria, and processes involved in critical case credit union briefings, and provides structure on what to expect if critical case credit unions are identified within a district.

Developing a Critical Case List

Regions periodically develop a list of their top critical cases. Regional management will select critical cases based on:

- Recommendations from regional management and regional DOS
- Quarterly risk trending reports reviewed by regional DOS
- Monthly management reports listing problem cases
- Internal regional risk reports
- [High Risk Pipeline Reports](#)
- Reports that flag select cases, provided by E&I
- Other approaches at the discretion of the region

Regional management will compile a critical case list and share the cases with E&I. E&I will review case files and request attendance at selected critical case briefings each year based on critical cases of national significance and to monitor regional risk management approaches.
Critical Case Meetings

The purpose of critical case meetings/briefings is to discuss the case background, present status, prognosis, and supervision plans with regional management. The assigned field staff will prepare and present critical cases at the briefings. The Regional Director will determine the format of the critical case package prior to the meeting and communicate the format to staff at least ten business days before the meeting. The field supervisor will review the package(s) for quality and completeness, as well as adherence to established standards, before submitting it to the regional office.

High Risk Pipeline

In 2010, the NCUA established the HRP to forecast potential failures over specific timeframes. This forecast enables the agency to more efficiently direct supervision resources and gain a better understanding of the potential cost to the NCUSIF.

E&I will create and maintain an HRP data input application. E&I will act in a quality control capacity and will not have any users with input access.

Each region will designate authorized user(s) to enter the identified credit unions into the HRP. Any changes to a data field in the system will be tracked by date and employee identification number.

Regional Directors are responsible for implementing procedures to enter or update data in the HRP by the 15th day of each month. Each region will input data into the HRP for any natural person credit union that meets one or more of the following conditions:

- Assigned an NCUA CAMEL composite 4 or 5 rating and has assets greater than $50 million
- Assigned an NCUA CAMEL composite 3 rating and has assets greater than or equal to $250 million
- Net worth ratio below 5.0 percent
- Has specific reserves assigned, or requested by the region
- Has outstanding assistance granted under Sections 208 or 216 of the Federal Credit Union Act

The region may also include credit unions that do not meet the above conditions, at its discretion.

E&I will create and maintain a series of output reports generated from the information entered into the HRP. Each region and AMAC will designate authorized user(s) to access the output reports from the HRP.

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**Control Reports**

Control reports serve as a mechanism to ensure the NCUA has a robust examination program that is properly resourced and monitored for adherence to national examination and quality standards.

**E&I Control Reports**

E&I will run reports to evaluate the status of the national examination program and evaluate adherence to national standards including:

- Outstanding Recordkeeping Issues
- Completion Target Exception Reports
- DOR Tracking Reports to ensure resolution is achieved timely
- MARS workload and completed examination/supervision contact reports
- CAMEL 3, 4, and 5 MARS reports
- Problem Credit Union Reports (3,4,5)
- Other specialized reports as deemed appropriate

Until a national database/tool is developed, regions will continue to use reporting systems currently in place. Regions should ensure their current systems capture the requested information.
Regional Control Reports

At a minimum, the regions will be responsible for maintaining the following control reports:

- MARS reports – Regions will ensure MARS complete and reconciled each month
- Budgeting – Regions will review necessary reports and resource budgets monthly to ensure completion and consistency with standards
- Unresolved Recordkeeping Issues – Regions will be responsible for tracking outstanding recordkeeping concerns within their region’s credit unions. Each quarter (at a minimum), the report should be reviewed and updated to reflect the status of the reported problem codes
- Program Completion Reports
- CAMEL 3, 4, 5 Detail, Status, and Exception Reports
  - High Risk Pipeline Reports
- Quarterly PCA Reports
- Quality Control Reviews (QCRs)
- Status and Exception Reports

Develop and Issue Guidance

The NCUA issues formal examination and supervision guidance to staff in the form of Supervisory Letters, Regulatory Alerts, and Letters to Credit Unions. To ensure guidance aligns with the agency’s mission and provides staff appropriate and timely guidance, the NCUA has adopted a standard process to initiate, develop, and release examination- and supervision-related guidance at the national and field office levels.

The Office of Examination and Insurance issues authoritative agency guidance at the national level. Individual field offices may issue explanatory and training materials (such as white papers) directly to their staff. The NCUA Exam Steering Group assists E&I by:
Reviewing examination and supervision guidance requests
Helping prioritize guidance requests based on need
Recommending a lead office or region responsible for the development of guidance
Aiding the coordination of necessary resources for guidance development

**Whitepapers and other regional materials may not establish exam procedures or policy.** Regions may continue to provide guidance to staff to clarify existing policy and provide regional specific direction/training.

The following review process, which is also available on the ESG SharePoint site, is intended to eliminate redundant guidance development efforts. Staff will adhere to the protocol outlined below.

**Initiating Guidance Development**

To initiate a request for guidance development, field and central offices will submit a guidance request to E&I and provide a brief description of the issue(s) or topic(s) to be addressed. Upon receiving a formal request for guidance development, E&I will:

- Maintain an inventory of all guidance products in development and related requests
- Post the inventory of guidance in development to the ESG SharePoint site
- Provide the formal request to the ESG for discussion

At each quarterly meeting, the ESG will review all proposed guidance requests received since the last meeting to determine if the proposal creates new agency policy and consider the most appropriate avenue for distribution (Supervisory Letter, Regulatory Alert, Letter to Credit Unions, whitepaper).

**Developing and Issuing National Guidance**

Once the ESG (with E&I’s concurrence) or E&I determines whether the proposed guidance is suitable for national development and issuance:
E&I will notify the requesting office within 14 days of the ESG’s decision.

Unless E&I will serve as the lead office, another office may volunteer and be assigned as the lead office to conduct the initial research for, and drafting of, the guidance.

E&I will assign a staff member to be the point of contact on all guidance in development and will work with regions and offices to marshal subject matter experts as necessary.

Once developed, the lead office will provide all regions and related central offices with the draft guidance and a comment log. The lead office will establish a comment period no shorter than two weeks for regions and offices to submit feedback.

The lead office will submit updated guidance to E&I after receiving and addressing all feedback. A copy of the comment log will be included with the submission.

E&I will assume the lead at this point and will take on responsibility to perform quality control and vet the guidance with the NCUA Board, Executive Director, other agencies as applicable, and determine whether to issue the guidance, and when.

Developing and Issuing Field Office Guidance (Directions, Training Material, Whitepapers)

If the ESG (with E&I’s concurrence) determines the proposed guidance is suitable for development and issuance by an individual field office:

- E&I will notify the requesting office (the “lead office”) responsible for developing the guidance within 14 days of the ESG's decision.

- Upon notification, the lead office will research, draft, and distribute the material to its staff and provide a copy to all regions, E&I, and any interested central offices.

Administrative Items

- [AIRES: Deleting Files](#)
- [AIRES File Size Limit](#)
Deleting AIRES Files

To delete a previously uploaded AIRES examination/supervision contact, an examiner will send a request to his or her SE, who is responsible for reviewing the request. The request must include the credit union’s charter number, effective date, contact type, and a brief explanation.

The SE will forward approved requests to the region’s DOS mailbox and copy the requesting examiner. DOS will notify the supervisor and examiner when the contact has been deleted, and indicate when the examiner will be able to re-upload.

AIRES File Size Limit

The NCUA limits the size of attachments in Microsoft Outlook. If an examiner cannot upload an AIRES file due to its size, they should contact the OCIO help desk as early as possible. OCIO will work with the examiner to allow the file to be uploaded, which may require decreasing the file size while preserving the history and integrity of the exam/supervision information.
Minimal AIRES Upload

AIRES allows for a “Minimal Contact,” for uploading contact reports with limited information. This feature is available for off-site supervision. The minimum information required for a minimal contact is:

- CAMEL ratings
- Financial data
- Time
- Completed information tab

If an examiner chooses to download and import historical data, the EMC will display the imported information and the examiner will need to enter the CAMEL ratings in the Exam.xls. Additional information regarding minimal contacts can be found in the AIRES 2005 User's Manual.

Required AIRES Workpapers and Questionnaires

Field staff are responsible for including all questionnaires required by the most recent NCUA Instruction 5000.20, Examination Scope, as well as work papers, and team memoranda (if applicable), in the AIRES file.

The Exam Reports section of the NSPM lists the required AIRES work papers which must be included in examination uploads. The FCU Program and Procedures and FISCU Program and Procedures sections of this guide include documentation requirements for both onsite and offsite contacts. Examiners will include additional work papers completed which contribute to the administrative record including team members’ loan exceptions work papers and documentation submitted for other areas reviewed.

The AIRES upload file should contain all documentation provided to management in the credit union’s formal exam report and documentation produced by the examiner or exam team participants to support the report. Examiners should generally not include documents provided by the credit union unless the information cannot be effectively documented elsewhere in the AIRES upload file.
AIRES Table of Contents

The table of contents serves as the NCUA’s permanent record and documentation as to what was provided to credit union officials. Examiners will use the table of contents to organize the report given to the officials. The table of contents is a required work paper. Examiners are required to print the final copy of the examination report (using the print examination function within AIRES) before creating or uploading their examination file. The AIRES print examination function creates the table of contents in a PDF format and ensures the visibility of the table of contents in the examination upload file.

AIRES Share and Loan Download

Examiners are required to request an AIRES share and loan download for every examination. If a credit union will not or cannot provide an AIRES share and loan download, examiners will notify their supervisor while the on-site field work is in process. The SE will work with the examiner on options for obtaining the AIRES download (or an equivalent such as a text file with share and loan information). The examiner should document the options exercised to obtain the download (for example, contacting other credit unions with the same vendor, contacting the vendor directly) and concurrence with the SE on the final outcome in the Confidential Section.

Consumer Compliance Violations Module

Examiners must document violations of federal regulation detected during the examination and supervision process on the Consumer Compliance Violations module in AIRES. Examiners will follow the procedures for BSA violations outlined in the BSA Enforcement section of the NSPM.

Documented Secondary CAMEL Review

In cases where a credit union presents higher risk, has serious problems, or represents a material potential risk to the share insurance fund, the supervisor that has district responsibility for the credit union will review draft examination and follow-up examination reports before they are finalized by the examiner.

At a minimum, supervisors will complete a Documented Secondary CAMEL Review for:
All examinations and follow-up examinations of credit unions with assets greater than $250 million at the examination effective date

All examinations and follow-up examinations of credit unions with a current or proposed CAMEL rating of 4 or 5

All onsite supervision contacts (WCC 22 or WCC 23) where the composite CAMEL rating changes to or from a 4 or 5

All examinations and follow-up examinations of credit unions with an NCUA proposed or outstanding LUA, PWL, cease and desist order, or other discretionary supervisory action provided under PCA

All FISCUs with a proposed or outstanding administrative action (equivalent to an LUA, PWL, cease and desist order, or other discretionary supervisory action under PCA) issued jointly with or separately by the state regulator where NCUA participates on the examination

The supervisor’s DSCR must be completed before the examiner releases the final report to the credit union. In the event an examiner is completing work outside his/her SE group, the examiner’s SE will have permissions to view the approved DSCR.

The supervisor is responsible for reviewing the report to ensure that:

- The scope is well developed and appropriate for the identified and indicated risks
- All significant risks and problem areas are appropriately identified and communicated
- Resolution plans are effective and timely for the type and proportion of risk
- CAMEL and risk ratings appropriately reflect the level and direction of risk
- Recurring problem areas are appropriately escalated to more stringent action plans or administrative actions

For credit unions identified for a DSCR, examiners will email exam support documents to the credit union’s SE for review before issuing the report no more than five business days after completing the field work (including any field work completed by the SSA that the examiner relies on in assigning a CAMEL rating, if applicable). If the five-day timeline cannot be met, the SE may grant the examiner additional time to complete the task. The examiner will document the need for this additional time in the Confidential Section.
At a minimum, examiners must send the following:

- **DOR** (if applicable)
- Examiner’s Findings (if applicable)
- CAMEL Evaluation Form
- Scope module, including completed “Final Assessment” tab
- Any other documents requested by the SE

Examiners must receive the supervisor’s DSCR prior to releasing the exam report to the credit union officials or management.

Supervisors will perform a CAMEL review and provide the examiner feedback as documented in the DSCR within seven business days of receipt of the supporting documentation. They will evaluate and document the secondary review of CAMEL ratings on the DSCR. In those rare cases where the supervisor and examiner cannot reach consensus on the appropriate CAMEL ratings, the examiner should document the CAMEL ratings they were advised to adjust in the Confidential Section.

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**Delivering a Report to Credit Union Officials**

When possible, examiners should deliver the final examination report or insurance review report at the joint conference or exit meeting. For compressed scheduling situations, examiners must deliver the DOR and Examiner’s Findings, if applicable, during the joint conference or exit meeting. Management and key officials should be aware of the major deficiencies before the joint conference. (See the Joint Conferences and Exit Meetings section of the NSPM for more information.)

In situations where the examiner is not able to deliver the report at the joint conference or exit meeting, the examiner must mail the report to the credit union within one business day of the examination completion date. If this timeframe cannot be met, the examiner must document supervisor concurrence in the Confidential Section, as well as the reason for delay.
EIC Rotation Limits

Field staff may serve as EIC for examinations and contacts for consecutive FCU or FISCU examinations completed within five calendar years. The EIC will be rotated at the end of the fifth calendar year and will not serve as EIC until another examination (WCC 10 or WCC 11) is completed by a different examiner. The rotation time period starts with the calendar year in which an examiner first serves as EIC.

Supervisors will ensure adequate rotation of EICs occurs. ARDs will monitor compliance with this requirement. The assigned ARD may approve exceptions on a case-by-case basis for extraordinary circumstances such as pending merger, liquidation, charter conversion, or resolution of an emerging material problem. The ARD will document all approved exceptions in writing, and the EIC will document approval in the Closed Information Questionnaire.

Electronic and Hard Copy Field Files

Examiners will maintain electronic field files for credit unions within their district. Examiners will maintain electronic correspondence between the central office, regional office, credit union, SSA, or any other related party within the electronic files. Upon transferring credit unions to another district, examiners will be responsible for transferring the credit union’s electronic files to the new examiner.

If an examiner chooses to maintain hard copy field files, the examiner is responsible for maintaining the field files in accordance with NCUA Instruction 13500.09, Security of External Party’s Documentation, and NCUA Instruction 1200.15, Rules and Consequences for Safeguarding Personally Identifiable Information. The field file should not contain confidential or sensitive information, unless properly secured to prevent disclosure to unauthorized parties. The contents of the field file are subject to examiner discretion. In some instances, the credit union may not have any significant problems and there may not be a field file.

Electronic Copies of Reports

Examiners may provide credit unions with an electronic copy of examination and supervision contact reports. The electronic copy can replace, or be in
addition to, the hard copy report, depending on a credit union’s preference. Provide electronic copies in PDF format to prevent easy manipulation of documents.

The instructions for creating an electronic copy of the examination report are accessible through the AIRES program main menu, Help-Instructions. If an examiner sends the examination report via e-mail, they must use ZixMail, the NCUA’s secure e-mail program. Instructions for using ZixMail are in the Outlook 2010 section of the NCUA’s Hi Tech Manual.

Timeframe to Complete an Examination/Supervision Contact

It is critical to ensure credit union officials receive timely information and take timely corrective action. Examiners will complete and upload all examinations/onsite supervision contacts within 75 calendar days of the start of the examination/onsite supervision contact. The start date is the first date an examiner charges time to WCC 10 or WCC 11 (for an exam), or WCC 22 or WCC 23 (for a supervision contact). An exam start date will coincide with the first date that exam work is conducted onsite or offsite. Examiners must ensure the AIRES start date is consistent with this definition.

This timeframe includes all other exam-related timeframes. Timeframes detailed in the Examination/Supervision Completion Date and AIRES Upload Requirements section of the NSPM can and will be shortened as necessary to meet the maximum timeframe of 75 calendar days.

If completing and uploading an examination/supervision contact within 75 calendar days is not possible, an EIC will notify his or her supervisor and obtain approval to extend the timeframe. If the requested completion and upload date exceeds 120 days, the supervisor will notify and request advance approval from the ARDP. Examiners will document the rationale for the extension request and the SE or ARDP decision in the Confidential Section of the report.

Regions will maintain a cumulative report identifying credit union examinations/onsite supervision contacts remaining open longer than 75 calendar days and provide the report to the ARDPs quarterly. ARDPs will review the report to evaluate if the extended examination periods were justified.
E&I will evaluate completion and upload timeframes not less than semi-annually to evaluate the efficiency and effectiveness of examination planning and scheduling.

**Examination/Supervision Completion Date and AIRES Upload Requirements**

Examiners will enter the examination completion date on the “Completion Information” tab of the EMC in AIRES. The examination/supervision completion date is the day the examiner last charged time to the examination and must be within five business days of the latest of the following dates:

- Date of last onsite
- Date of exit meeting
- Date of joint conference
- Date of PSR process completion

Within one business day of the examination completion date, examiners will upload the AIRES examination report, including a completed Scope.

The five (5) business days to complete and one business (1) day to upload the examination/supervision contact are included in the **75-day examination timeframe requirement**. For example, if the joint conference, exit meeting, or last day onsite takes place on the 73rd day, the examiner has two (2) business days to complete and upload the examination.

The **75-day examination timeframe requirement** does not include time spent pre-planning (WCC 94 or WCC 95).

Having a joint conference, exit meeting, or last day onsite on the 73rd day does not extend the 75-day timeframe unless a waiver is obtained as outlined above. Similarly, if an examiner has the joint conference, exit meeting, or last day onsite on the 30th day, she has until the 35th business day to complete the examination/supervision contact and until the 36th business day to upload the examination/supervision contact. Hand delivery of an examination report does not constitute ‘date last onsite.’
The five business days to complete and one business day to upload the examination/supervision contact are included in the 75-day examination timeframe requirement. The 75-day closeout requirement can only be extended through a waiver.

If the examination completion date exceeds five business days due to items like conferences, training, annual leave, or sick leave, the examiner will document the circumstance(s) in the Confidential Section.

If there is a delay in the AIRES upload, examiners will notify their supervisor and document supervisor concurrence and the reason(s) for exceeding the timeframe in the Confidential Section of the report.

Limiting Examinations in Process

EICs will not have more than three examinations in process at any time without supervisor approval. Examiners will email their supervisor for concurrence documenting the reason(s) for exceeding the allowable number of examinations in process.

Notifying a Credit Union of an Examination/Supervision Contact

When the NCUA is leading an examination, examiners should provide as much advance notice as possible before starting an examination/supervision contact. Unless fraud is suspected or other special circumstances exist, examiners will give credit union officials a minimum notice of four weeks. NCUA management must approve notification periods shorter than four weeks. Each region will specify at what level management approval is required. This approval will be documented in the Confidential Section of the report.

For joint FISCU exams, the NCUA EIC should make every effort to coordinate with the SSA EIC to ensure that an all-inclusive Items Needed list is provided to the FISCU with as much advance notice as possible.

NCUA management must approve notification periods shorter than four weeks.
As part of the notification process, examiners will provide the appropriate pre-examination letter (RFE or SCUEP) found in the AIRES Exam Directory under Available Template Files. This letter should be customized to only request items unique and necessary to address the scope and risk profile for each examination.

Credit unions should receive the Items Needed list no less than four weeks in advance of the actual start date of the exam, whether onsite or offsite. Examiners do not need credit union approval of examination scheduling, but should reach agreement whenever possible to minimize disruption to a credit union and to ensure critical staff members are available while examiners are on site.

With supervisory approval, examiners may start an examination or supervision contact without providing notice when the EIC plans to conduct a surprise contact due to weak internal controls or when supervisory timeliness is warranted.

Team Member Responsibilities

Team members are responsible for providing the EIC with the documentation to support any recommendations (and discussed with management) before completing their onsite review. Team members can provide examination materials after completing onsite work only with EIC concurrence and the establishment of a defined delivery date.

Team memos do not replace a documented scope, applicable questionnaires, and assessment of risk ratings. At a minimum, team members should provide the following to the EIC (as applicable):

- Detail of time charged
- Scope team export file including completed AIRES Scope module (Corporate Exam Work Center for corporate exams), comments on the final risk ratings, and recommended areas for review (when completing the module and areas of review, all team members with an SME designation will include their designation, in parenthesis, next to their initials in the “Done by” column)
- Loan Review team export file
- Appropriate questionnaires
- Examiner’s Findings
- Document of Resolution (DOR) team export file (include comments in the DOR module on the credit union’s actions to address prior DOR items)
- Other work papers to support findings and/or recommended actions

Before commencing a team examination or supervision contact which includes three or more team members (including the EIC), the EIC will communicate individual responsibilities and any additional expectations for documentation to all team members, including specialized examiners (RLS, RCMS, RISO, ISO, CMS, etc.). This is typically done through an email or team memo. At a minimum, the EIC will provide team members the following information:

- Location of the credit union, hours of operation, dress code, travel considerations (rental cars needed, lodging, etc.)
- Summary of existing and emerging concerns
- Individual responsibilities and time budgeted
- Expected documentation to be provided to the EIC

The EIC is ultimately responsible for delegating and coordinating the work of the team members and the quality of the examination. This includes, but is not limited to, ensuring:

- Risk areas are adequately identified and assessed
- The examination report is cohesive
- Credit union management understands and agrees with the areas of concern
- An administrative record is well established in AIRES

Templates

- Supervision Chronology Report
- Team Memo
- LCRE Form
- Concentration Risk Job Aid
Template: Supervision Chronology Report

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2023</td>
<td>Review</td>
<td>None</td>
</tr>
<tr>
<td>1/15/2023</td>
<td>Assessment</td>
<td>Done</td>
</tr>
<tr>
<td>2/1/2023</td>
<td>Review</td>
<td>None</td>
</tr>
<tr>
<td>2/15/2023</td>
<td>Assessment</td>
<td>Done</td>
</tr>
<tr>
<td>3/1/2023</td>
<td>Review</td>
<td>None</td>
</tr>
<tr>
<td>3/15/2023</td>
<td>Assessment</td>
<td>Done</td>
</tr>
<tr>
<td>4/1/2023</td>
<td>Review</td>
<td>None</td>
</tr>
<tr>
<td>4/15/2023</td>
<td>Assessment</td>
<td>Done</td>
</tr>
<tr>
<td>5/1/2023</td>
<td>Review</td>
<td>None</td>
</tr>
<tr>
<td>5/15/2023</td>
<td>Assessment</td>
<td>Done</td>
</tr>
<tr>
<td>6/1/2023</td>
<td>Review</td>
<td>None</td>
</tr>
<tr>
<td>6/15/2023</td>
<td>Assessment</td>
<td>Done</td>
</tr>
</tbody>
</table>

Summary: The supervision chronology report shows regular review meetings and assessments with no significant issues noted.
TO: PE [name] AND EX [name]

CC: SE [name]

FROM: PE [name]

SUBJECT: [credit union name] Team Examination

DATE: [date]

We are scheduled to start the team examination of [credit union name] FCU #XXXXX on [date]. This examination will have an effective date of [effective date]. A list of team members, associated hours for this exam, and areas scheduled for review is provided below:

- EX [name] -- 32 hours - ALM Review (on-site week of [date])
- EX [name] – 32 hours - Lending review (on-site week of [date])

You can work any time from 7:00 AM to 7:00 PM at the ABC Office:

[CU address]
[City, State  Zip]
[Phone number]

The dress code is [type of dress]. [Parking, Travel, and/or Transportation Considerations, Lodging Options, etc.]

I plan to begin work at [time].

The CEO’s name is [name].

The following request lists and questionnaires have been provided to the credit union:

- ALM general request list
- IRR and Liquidity questionnaires

*****IF YOU HAVE ADDITIONAL INFORMATION YOU WOULD LIKE THE CU TO PREPARE FOR US, PLEASE LET ME KNOW ASAP.*****

I will provide a backup of the examination to you the first day you are on-site.
Please provide me a memo with the results of your review upon the completion of your work. Please include a section to address each of the topics listed below and any additional topics you feel are necessary.

<table>
<thead>
<tr>
<th>EXAM HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Please provide the hours you have worked on this examination, and please indicate whether the time was on or off site.</td>
</tr>
<tr>
<td>• Provide me with any recommendations for changes to future budget hours.</td>
</tr>
<tr>
<td>• Provide recommendations for changes to the number of participants as well the addition/deletion of any SME’s to the job.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SCOPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Please provide your input on what the final risk rating should be based on your review.</td>
</tr>
<tr>
<td>• Please provide any areas you recommend for review during the next examination.</td>
</tr>
<tr>
<td>• Provide the scope team merge file.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OVERVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Please provide an overview narrative, if applicable.</td>
</tr>
<tr>
<td>• Please provide discussion of the topic, indicate what is wrong, and provide guidance on how to address the issue.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Please update and comment on all prior DOR items in the DOR module that relate to your area of review.</td>
</tr>
<tr>
<td>• Please discuss all DOR items with me prior to discussing them with management.</td>
</tr>
<tr>
<td>• After you have discussed the DOR items with me, please discuss with management and assure any questions management may have regarding your DOR items are addressed prior to your departure.</td>
</tr>
<tr>
<td>• Provide the DOR team merge file.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>EXAMINER’S FINDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Please provide your Examiner’s Findings in an Examiner’s Findings document.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAMEL RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Please provide your input on what you feel the CAMEL rating should be for the area you reviewed and provide a brief supporting explanation.</td>
</tr>
</tbody>
</table>
QUESTIONNAIRES

- Complete all required questionnaires related to your area of review and complete optional questionnaires as you deem necessary.

CONFIDENTIAL SECTION

- Please provide me with any information you feel is necessary and appropriate to include in the Confidential Section.

EXIT MEETINGS

- Schedule all exit meetings as soon as possible to assure all appropriate credit union employees and NCUA staff can attend.
- Please discuss all findings with me prior to the exit meeting.
- Please discuss any issues with credit union management prior to the meeting so there are no surprises.

*****Return all materials provided to you by the credit union back to the appropriate person prior to your departure*****
Job Aid: Loan Concentrations

Guidance

As discussed in Letter to Credit Unions 10-CU-03, Concentration Risk, credit union officials and management have a fiduciary responsibility to identify, measure, monitor, and control concentrations of credit risk.

A credit risk concentration is any single credit exposure or group of exposures with the potential to produce losses large enough (relative to capital, total assets, or overall risk level) to threaten the credit union’s earnings, net worth, liquidity, or ability to maintain its core operations.

Avoiding concentrations in any single, or group of similar, credit related products or services is a core tenet of effective credit and concentration risk management and, when violated, increases the risk of loss to the credit union and to the National Credit Union Share Insurance Fund. Too much reliance on any single, or group of similar, credit related product or services increases the potential for adverse consequences from “event risk” (i.e. a negative event, such as a housing market crash, that significantly affects the financial condition of the institution). Every credit sensitive asset, liability, product, service, and third party provider presents an incremental risk of loss to the credit union under varying conditions or events. Some credit related risks are less likely than others to occur. It is up to credit union management to identify risks in each product or service line, quantify the risk, and set appropriate concentration limits based on the analysis.

When reviewing the types of credit concentrations in a credit union, field staff must be cognizant of other asset categories that may seem unrelated. For instance, the types of loans and characteristics of the loans may be one form of concentration risk that is easily identified. However, similar characteristics may exist in a loan participation portfolio or an investment portfolio. A clear example of this concept would be a credit union that holds a portfolio of real estate loans and a portfolio of mortgage backed securities. There are common event risks in these types of assets that must be quantified and mitigated by management.

The larger the concentration level, the more robust and advanced the analysis and risk management techniques should be. For instance, the sophistication and depth of risk management systems and analysis conducted on a real estate portfolio that represents 20 percent of total loans could be less than a real estate portfolio that represents 50 percent of total loans. Another example is the level of due diligence conducted on a third party service provider. The more important the service to the core operation of the credit union, and the higher the amount of activity and dollar volume of credit union activity it handles, the more sophisticated and robust the due diligence oversight needs to be.
Job Aid: Loan Concentrations

Risks

Credit Risk can occur when the credit union fails to implement the necessary controls and/or appropriate risk limits.

Liquidity Risk arises from a credit union’s inability to meet its obligations when they come due, without incurring material costs or unacceptable losses. Liquidity risk includes the inability to manage funding sources, including unplanned decreases or changes. Liquidity risk also arises from the credit union’s failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Strategic Risk can occur when the board of directors fails to perform necessary due diligence in reviewing existing and prospective products and services.

Interest Rate Risk can occur when changes in market rates will adversely affect a credit union’s net worth and earnings.

Loan Types

Credit concentration risk is present in many forms across credit union operations. Examples include:

- Asset classes (for example, residential real estate loans, member business loans, automobile loans, loan participations). Examples include, but are not limited to:
  - Residential Real Estate Loans – collateral type, lien position, geographic area, non-traditional terms (such as interest-only, payment option, or balloon payment), fixed or variable interest rate, low or reduced underwriting documentation, and loan-to-value (LTV).
  - New and Used Auto Loans – direct or indirectly originated, member’s ability to repay, LTV, and term to maturity.
  - Member Business Loans (MBLs) – types of loans (for example, real estate, working capital, and credit cards), collateral type, payment feature (such as interest-only, balloon payments), loan term, geographic area, and LTV.
  - Loan Participations – types of loans (for example, residential real estate, MBL, and automobile) and the sub-classes associated with the types, originating lender, and geographic area.
  - Loans to one borrower or associated group of borrowers (may include several different types of loans–residential real estate, MBLs, consumer loans, etc.).
Job Aid: Loan Concentrations

- Investments – types of investments (for example, certificates of deposit, non-agency related asset-backed securities, municipal securities, etc.).

- Similarly, concentrations of credit risk can be accumulated in the form of third party service arrangements that are essential to supporting and executing the credit union’s core business services and product line management.
Job Aid: Loan Concentrations

Stress tests can reveal the kinds of events that might present problems.¹

¹ From Comptrollers Handbook – Concentrations of Credit – Version 1.0, December 2011
Job Aid: Loan Concentrations
Loan Concentration Risk Evaluation (LCRE) Form

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<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
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Loan Concentration Risk Evaluation (LCRE) Form

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>1.5</td>
</tr>
<tr>
<td>Category 2</td>
<td>2.5</td>
</tr>
<tr>
<td>Category 3</td>
<td>3.0</td>
</tr>
<tr>
<td>Category 4</td>
<td>4.0</td>
</tr>
<tr>
<td>Category 5</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Note: The table above represents the evaluation scores for different categories. Higher scores indicate lower risk concentrations.
# Loan Concentration Risk Evaluation (LCRE) Form

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Industry</th>
<th>Investment Grade</th>
<th>Geographic Branch Location</th>
<th>Risk Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Real Estate</td>
<td>Retail</td>
<td>A</td>
<td>New York</td>
<td>5</td>
</tr>
<tr>
<td>Consumer Loans</td>
<td>Online</td>
<td>B</td>
<td>Los Angeles</td>
<td>4</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>Residential</td>
<td>C</td>
<td>Chicago</td>
<td>3</td>
</tr>
<tr>
<td>Small Business Loans</td>
<td>Manufacturing</td>
<td>D</td>
<td>San Francisco</td>
<td>2</td>
</tr>
<tr>
<td>Agricultural Loans</td>
<td>Agriculture</td>
<td>E</td>
<td>Houston</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes: 
- A: High, B: Medium, C: Low
- Risk scores range from 1 (low risk) to 5 (high risk)
Examination Complaints

Credit union officials have the right to appeal or file a complaint on examination issues directly to the Regional Director. This would include any written or informal appeal or complaint related to an examination or supervision contact or other supervisory determination and may take the form of complaints against supervisory examiners, examiners, requests for a different examiner, or requests for some type of change to the examination report.

In addition, part 309 of the Riegle Community Development and Regulatory Improvement Act of 1994 required the NCUA to establish an independent appellate process to review material supervisory determinations. In 2017, the NCUA Board approved a final rule (part 746, subpart A) outlining the review process. After making a request for reconsideration from the Regional Director, a credit union may request a review by the Office of Examination and Insurance or appeal directly to the Supervisory Review Committee. A credit union may also file an appeal with the NCUA Board challenging the decision by the Supervisory Review Committee.

Examination material supervisory determination is defined as written decisions by a program office that may significantly affect the capital, earnings, operating flexibility, or that may otherwise affect the nature or level of supervisory oversight of a credit union. The term includes, but is not limited to:

- Composite CAMEL ratings of 3, 4, and 5 and all component ratings of those composite ratings
- Adequacy of loan loss reserve provisions
- Loan classifications on loans that are significant as determined by the appealing credit union

To be appealable to the committee, an examination complaint must be filed by a credit union within 30 days of the Regional Office’s final determination or the final determination of the Office of Examination and Insurance, if applicable. A complaint regarding a FISCU examination may be made to the NCUA if the final determination was made by the NCUA examiner. If a final determination was made by the state examiner, the NCUA will turn the complaint over to the state for the appropriate action.
Material Supervisory Determination Exclusions

The following are excluded from the term “material supervisory determination:”

- A composite CAMEL rating of 1 or 2
- A component CAMEL rating, unless the rating has a significant adverse effect on the nature or level of supervisory oversight of an insured credit union
- The scope and timing of supervisory contacts
- A decision to appoint a conservator or liquidating agent for an insured credit union
- A decision to take prompt corrective action pursuant to section 216 of the Federal Credit Union Act and part 702 of the NCUA's regulations
- Enforcement-related actions and decisions, including determinations and the underlying facts and circumstances that form the basis of a pending enforcement action
- Preliminary examination conclusions communicated to an insured credit union before a final exam report or other written communication is issued
- Formal and informal rulemakings pursuant to the Administrative Procedure Act
- Requests for NCUA records or information under the Freedom of Information Act and part 792 of the NCUA's regulations and the submission of information to the NCUA that is governed by this statute and regulation, and
- Determinations for which other appeals procedures exist

Examination Complaint Investigation Goals

Our main goal is to anticipate and resolve problems at the field level whenever possible. We expect the investigative process to:
- Determine the real issues and work towards solutions
- Reach agreements based on facts and complete necessary corrective action
- Identify potential deficiencies in agency systems, methods, and procedures and effect correction
- Identify examiner performance issues
- Provide a written response from the Regional Director to the credit union within a 30-day timeframe on all appeals that involve material supervisory determinations

Roles and Responsibilities

Division of Supervision

DOS is responsible for coordinating the examination complaint investigation with field staff. Upon receipt of an examination complaint, DOS will:

- For FISCUs, review the complaint to identify if the NCUA or state made the final determination. If it was the NCUA, the complaint will be processed by DOS. If the state examiner made the final determination, the complaint will be forwarded to the state for processing.

- Review the complaint and identify if it is for a material supervisory determination.

  - DOS will ensure all actions are completed within 60 days. This includes complaints that are ultimately appealable to the committee and complaints that are not for a material supervisory determination. For matters appealable to the SRC, DOS will ensure the credit union is made aware of the response before 60 days have elapsed.

  - Draft and send memo to acknowledge the examination complaint to the credit union within five days of receipt of the complaint in the regional office.

  - Prepare and send a work assignment to complete a Regional Summary to the SE (or ARDP) that includes a copy of the credit union’s examination
A copy of the examination complaint will be sent to the Examiner-In-Charge, if warranted.

- Review the completed field Regional Summary and analyze the recommendations for appropriate support and justification. Upon concurrence, DOS will submit the recommendation and proposed response (use the Respond to Examination Complaint sample) to the Regional Director for approval and signature. DOS will mail the signed letter using the region’s preferred expedited mail delivery service with a copy to the SE and Examiner.

- DOS will post copies of the original complaint, acknowledgement letter, response letter and completed Regional Summary to the central office via E&I SharePoint Post Office.

**Regional Director**

The Regional Director, or his/her designee, will:

- Review all appeals

- Notify the Office of the Inspector General immediately if an appeal concerns NCUA staff involvement in waste, fraud, or abuse against the U.S. government

- Route all appeals to the DOS director for processing

**Field Staff Review**

The supervisory examiner will be responsible for investigating all complaints. If the SE is named in the complaint, the associate ARDP or his/her designee may be asked, depending on the nature of the complaint, to handle the investigation.

The SE (or ARDP) will contact the credit union officials and the examiner and will schedule any meetings necessary to facilitate the investigation.

The SE (or ARDP) will complete the investigation and send a report to DOS outlining the investigation steps, the findings, agreements, and recommendations for action. The SE response will also include a draft response to the credit union for the Regional Director's signature.

The SE may request an extension of the investigation timeframe for any complaint not governed by IRPS 11-1, Supervisory Review Committee, as
amended by IRPS 12-1, by sending an e-mail request to the ARDP explaining the reason for the extension. The ARDP will notify the SE of his or her decision by e-mail with a copy to the DOS.

**Templates**

- Acknowledge Examination Complaint
- Regional Summary of Exam Appeal and Complaint
- Respond to Examination Complaint (sample)
<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Appeals</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>123</td>
</tr>
<tr>
<td>East</td>
<td>456</td>
</tr>
<tr>
<td>West</td>
<td>789</td>
</tr>
<tr>
<td>Central</td>
<td>321</td>
</tr>
<tr>
<td>North</td>
<td>654</td>
</tr>
</tbody>
</table>

Legend:
- □ - Increase
- □ - Decrease
- □ - No Change

Note: The table represents a summary of regional appeals with corresponding numbers.
Other Pertinent Information

REVIEWER RECOMMENDATIONS AND COMMENTS:

Reviewer Recommendation:

APPROVAL/DENIAL RECOMMENDATIONS

Analyst Comments:

APPROVE □ DISAPPROVE □

Supervision Analyst ________________________ Date ________________

APPROVE □ DISAPPROVE □

Director of Supervision ________________________ Date ________________

APPROVE □ DISAPPROVE □

Associate Regional Director ________________________ Date ________________

APPROVE □ DISAPPROVE □
Sample: Respond to Examination Complaint
Examination Reports

The policies outlined in this section of the NSPM apply to all documentation prepared by the NCUA in relation to an examination or supervision contact when such documentation is delivered to a third party such as credit union management, a CUSO, or a vendor. These materials are part of the agency’s formal administrative record, and represent important communication from the NCUA.

The administrative record is the total collection of information needed for decision-making purposes. It must present a complete, factual, and fully documented history of a credit union’s problems. It should also clearly document the efforts taken (or not taken) by both the credit union officials and the NCUA to resolve those problems.

Examiners will ensure the administrative record documents their concerns about a credit union. Examiners must compile the administrative record through AIRES workpapers, examination/supervision contact reports or other written communications to credit union officials.

Last updated March 11, 2020
Examination Report

An examination report is the NCUA’s official report to a credit union provided as the result of an examination, insurance review, or supervision contact. A key purpose of an examination report is to communicate NCUA concerns to a credit union so that it can make appropriate changes in its practices, operations, or financial condition and avoid more formal remedies. This is accomplished by identifying problems and providing corrective action. AIRES exam workpapers and schedules designed to support an examination report and examiner’s conclusions are also important parts of the administrative record.

The FFIEC released the Policy Statement on the Report of Examination on March 6, 2019 as part of the Council’s Examination Modernization Project, which is aimed at reducing unnecessary regulatory burden on community financial institutions.

During an examination, team members use the total analysis process described in the Examiner’s Guide, and send pertinent information on review areas to the EIC. The EIC uses this information to prepare the examination report. The EIC usually delivers completed examination reports to the board of directors at the conclusion of an examination. A credit union board of directors and senior management are a report’s primary users, and examiners and EICs should write with this in mind.

The EIC is the author of an examination report, regardless of whether changes occur during the review process. If a material disagreement occurs between an EIC and the SE during the report review process, the EIC may note his/her original position and objection to required changes in the Closed Section.

EICs will clearly label report documents as drafts before reviewing them with credit union officials, and will inform credit union officials that an exam report is not considered final until it has officially been issued to the credit union officials.

In addition to complying with the agency’s general documentation standards, examination reports must be comprehensive and:

- Properly identify all material concerns related to the seven risk areas (credit, interest rate, liquidity, transaction, compliance, strategic, and
reputation risk)

- Properly prioritize, support, and address material concerns
- Support conclusions with appropriate documentation, relevant facts, and citations and clearly document the rationale to support:
  - CAMEL component and composite ratings, risk ratings
  - Noted violations of compliance with applicable laws and regulations
  - Any material supervisory determinations
- Outline proper corrective actions to ensure problems are resolved in a timely manner
- Establish a documented administrative record to support future administrative action and problem resolution, if necessary

Examiners should set aside time throughout an examination to discuss any problems that have been identified with management and officials. It is important to provide management a draft copy of the DOR, Examiner’s Findings, and Loan Exceptions with sufficient time to review before a joint conference or exit meeting. An EIC may not introduce new information that has not been provided to credit union management in advance at the joint conference, exit meeting, or in the final examination report.

Examiners may withhold key assertions from management if they merit discussion directly with a credit union board of directors or Supervisory Committee. An example of such a circumstance is suspected fraud. More information about joint conferences and exit meetings is available in the NSPM.

Report Components

For credit union examinations and supervision, an official examination report is comprised of the following documents:

<table>
<thead>
<tr>
<th>Component</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cover Letter</td>
<td>Required</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>Required</td>
</tr>
<tr>
<td>Examination Overview</td>
<td>Required for an FCU (and a FISCU, when the NCUA issues a report)</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Document of Resolution</td>
<td>As applicable</td>
</tr>
<tr>
<td>Document of Resolution Status</td>
<td>As applicable</td>
</tr>
<tr>
<td>Examiner's Finding</td>
<td>As applicable</td>
</tr>
<tr>
<td>Loan Exception Schedule(s)</td>
<td>As applicable</td>
</tr>
<tr>
<td>Supplementary Facts</td>
<td>As applicable</td>
</tr>
<tr>
<td>Status Update</td>
<td>As applicable</td>
</tr>
<tr>
<td>FISCU CAMEL Disclosure</td>
<td>Required for a FISCU</td>
</tr>
</tbody>
</table>

Only the workpapers and documents listed in the Table of Contents are part of the official examination report given to credit union officials. Examiners will use the AIRES Table of Contents to organize examination reports and document official report components and workpapers given to credit union officials. At a minimum, examiners must provide a credit union copies of the Cover Letter, Table of Contents, Examination Overview, and any other applicable report documents.

State regulator examination reports may contain different key documents and workpapers. NCUA examiners must follow FISCU procedures when conducting an examination or contact in a FISCU.

In addition to the official examination report documents, examiners may include additional supporting workpapers, schedules, checklists, or forms that support their conclusions within the official examination report.

Cover Letter

A cover letter must:

- Explain the risk-focused or defined-scope examination process
- Explain the examination appeal process
- Describe key documents included in the examination report
- Include the names of the agency or agencies issuing the report
- Note the receiving credit union’s name and charter number
- Identify the “as of” date of the exam report

Examiners must use the standard cover letter template for the appropriate type of examination or contact (available in AIRES).

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**Table of Contents**

Examiners will use the AIRES Table of Contents to organize examination reports and document official report components and workpapers given to officials. To create a Table of Contents, examiners must print a final copy of an examination report before they create or upload their examination file. The AIRES print examination function creates a table of contents in a PDF format and ensures the table of contents is visible in the examination upload file.

The table of contents serves as the NCUA’s permanent record and documents what the NCUA provided to credit union officials.

While examiners may informally provide a credit union additional documentation necessary to support their conclusions and assist in gaining resolution to problems uncovered during the examination or supervision process (schedules, supporting workpapers, questionnaires, examiner-designed workpapers), only the workpapers and documents listed in the table of contents are considered part of the official examination report. Field staff should add appropriate workpapers to the official examination report as needed to support the administrative record. Instructions are available in the [AIRES 2005 User Manual](#).

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**Examination Overview**

The Examination Overview is a critical element of an examination report. In it, examiners must disclose the component and composite CAMEL ratings and each final risk rating to the credit union. If no material risks exist, the examination overview is generally brief.

Examination overviews must be accurate, clear, thorough, and consistent with agency policy.
**Accurate**

The overview should accurately represent information observed by the examination team or provided by the credit union, and must justify the assigned CAMEL and risk ratings.

Examiners must support the conclusions presented in the overview. Examiners should include the rationale behind assigned CAMEL and risk ratings by referencing appropriate documentation and providing relevant facts.

**Clear**

Examiners will apply standards established in the Plain Writing Act and the NCUA Communications Manual to create an overview that organizes information in a logical manner, while explaining and supporting the assigned CAMEL and risk ratings. Examiners may organize content by CAMEL component, risk rating (with an emphasis on how each risk rating impacts the CAMEL code), or topically (by issues identified in a credit union).

All documentation prepared by NCUA staff should be fact-based, professional, and objective. Staff will use clear, concise, well-organized, language that is appropriate to the subject matter and the intended audience. Simple language and short sentences are generally the most effective.

Examiners will describe material concerns, the adequacy of a credit union’s risk management practices, and the credit union’s risk profile in clear terms. Examiners must also clearly outline the reasons for assigning CAMEL ratings, and such reasons must be consistent with NCUA Letter to Credit Unions 07-CU-12, CAMEL Rating System (December 2007).

For example, if an examiner has rated the Capital CAMEL component a 3, they should explain what conditions lead to the conclusion that capital does not fully support the credit union’s current and prospective risk profile. Simply noting that a credit union’s capital ratio is below peer is not sufficient—the examiner must outline the credit union’s risk profile and explain why capital levels are less than satisfactory related to the risk profile.

**Thorough**

Examiners will prepare an Overview that:
• Summarizes areas of elevated risk (credit, interest rate, liquidity, transaction, compliance, strategic, reputation) identified during the examination; all risk ratings must be disclosed, and elevated risk areas must be summarized and justified

• Discusses the credit union’s current and future risk profile and the adequacy of the credit union’s risk management practices

• Explains and justifies CAMEL (component and composite) and elevated risk ratings

• Presents a professional, concise discussion of key issues in context of the credit union’s overall condition

References to other components of the examination report can minimize redundancy and direct readers to additional information contained in the report. Examiners should not duplicate content from a DOR, but briefly identify the problem(s) identified during the examination or contact and the effect on CAMEL and risk ratings, and refer credit union officials to the applicable DOR section(s) of the exam report for more comprehensive information.

Examiners should provide enough information to allow credit union officials to understand the circumstances and information that lead to the assignment of CAMEL and risk ratings.

Conclusions for CAMEL ratings must be consistent with NCUA Letter to Credit Unions 07-CU-12, CAMEL Rating System (December 2007). For example, if an examiner rates the Management Rating CAMEL component 4, they must describe the specific circumstances that result in:

• Deficient management and board performance or risk management practices that are inadequate considering the nature of the credit union’s activities,

• An excessive level of risk exposure, and

• The inadequate identification, monitoring, and controlling of significant risks.

Consistent with NCUA Guidance

Examination Overviews must be consistent with applicable NCUA policy.
Examiners must also prepare material that is consistent with agency guidance related to the preparation of written material (see NCUA Communications Manual) and the assignment of CAMEL and risk ratings (see Examiner's Guide). Additional guidance can be found in NCUA Letter to Credit Unions 07-CU-12, CAMEL Rating System (December 2007).

Such consistency ensures that all credit unions are evaluated in a fair manner and provided useful examination reports.

Document of Resolution

Problems included in a DOR must be significant enough that an examiner would recommend escalating to the next level of elevated enforcement action (for example, an RDL or LUA) for failure to correct the problem. DOR items are those that management must begin to address immediately or within a compressed timeframe due to the risk associated with the problem. A DOR must concisely describe a problem (including all supporting facts) and outline the corrective action necessary to resolve it.

Sometimes, a problem may take significant time to be fully resolved. In such an instance, a credit union must initiate action to address the items quickly, even if it may take a year or more to fully resolve the problem or comply with the corrective action item.

When developing a DOR, an examiner will detail the person(s) responsible, provide a citation(s) for the problem, and establish the timeframe for taking corrective action. The NCUA expects faithful performance from credit union management on all agreements reached and documented in a DOR. Credit union management’s failure to address DOR items may result in administrative action.

Section 206(b)(1) of the Federal Credit Union Act gives the NCUA the ability to terminate insurance for unsafe and unsound practices. While a DOR may not lead to termination of insurance, the Act implies that credit unions must operate in a safe and sound manner as a condition of insurance. Section 741.3 of NCUA regulations also requires credit unions to operate in a safe and sound manner as a condition of insurance.
DOR Module

The AIRES DOR module enhances the administrative record by allowing unresolved DOR items to be tracked and reported. The AIRES 2005 User’s Manual addresses the proper use of the DOR module.

Examiners must use the AIRES DOR module to draft a DOR. To ensure a full administrative record of problem areas, examiners will:

- Create DOR items and assign problem codes using the AIRES DOR module
- Ensure DOR items are consistent between the DOR module and the DOR issued to the credit union
- Require credit union management to submit a written action plan within 30 days of receipt of the official examination report, if they do not agree to the DOR or adopt the DOR at the joint conference
  - If communication and negotiation efforts are unsuccessful and a DOR is not adopted, examiners will require management to provide an alternative resolution plan and note management’s failure to adopt the DOR in the Confidential section. Field staff will use elevated administrative action if management’s action plan is insufficient to address the problem(s) and the problem(s) remain unresolved.
- Update the status of all DOR items from prior exams (resolved, unresolved, or no longer applicable) and provide appropriate documentation in the DOR module

If an SSA provides a credit union a DOR but does not enter a problem code in the DOR module, NCUA examiners must update the DOR module to document any DOR that meet the NCUA’s definition of a DOR.

When preparing a DOR, examiners will:

- Describe the root problem(s) concisely, including any corresponding details and facts that support the conclusion that the problem warrants a DOR item in the Problem section of the AIRES DOR module
  - For example, in a credit union with multiple accounts that are out of balance, the DOR should address the cause of the poor record-keeping rather than only requiring the credit union to balance the accounts. The credit union must not only balance all accounts, but
also ensure staffing, controls, and procedures are in place to prevent future out-of-balance situations

- Outline appropriate corrective action to resolve the identified problem in the Agreed Upon Corrective Action section of the AIRES DOR module
  - Examiners should use corrective actions suggested by credit union management if the action will adequately resolve the problem.

- Document the agreed-upon timeframe(s) for completion
  - Do not cite “ongoing” as the timeframe for correction.

- Cite the specific section of the Federal Credit Union Act, NCUA regulations, Federal Credit Union Bylaws, or other authority
  - For safety and soundness concerns that present undue risk to a credit union, examiners should cite § 206(b)(1) of the Federal Credit Union Act or § 741.3 of the NCUA’s regulations. If a credit union violates more than one of the above, cite the highest authority.

- Identify the specific person(s) or committee(s) responsible for correcting each DOR item by name and title, where applicable

During the course of a WCC 26 review, NCUA examiners will add any problem codes (and associated corrective action) needed beyond those entered by the SSA to complete a review of a state exam.

Problem Codes

The NCUA uses data entered in the DOR module to track repeat problems and DOR corrective action items, not necessarily continued areas of concern. Examiners will enter all problems that meet the criteria for a DOR item into the DOR module for tracking purposes.

For each specific problem, examiners will create a problem code and complete the required field in the AIRES DOR module, including the effective date each problem was first identified. The problem code and associated date must be specific to a problem (not a general problem area or risk factor).

If a problem identified during an exam was previously identified, but was subsequently resolved and remained so for at least one to two contacts, examiners will code the problem as a new problem (that is, they will not use the original date identified from the previously resolved problem). Examiners will record the corrective actions a credit union takes to resolve a specific problem, and will not combine similar problems as an ongoing problem.
**Example:** A small credit union has had internal control problems for ten years, and the NCUA needs to track whether the credit union is complying with specific DOR corrective action plans issued at each exam. At the June 30 examination, an examiner issued a DOR corrective action plan requiring the credit union to cross-train employees and increase segregation of duties. When the examiner performed a follow-up examination effective December 31, they find that the credit union has complied with the corrective action plan and updates AIRES to indicate the DOR item is resolved. At the December 31 follow-up exam, the examiner issued a DOR corrective action plan requiring the Supervisory Committee to expand its review area. The date identified for the new DOR item is December 31, because it is a new problem and has a new corrective action plan. However, this does not mean that internal controls are not an ongoing problem for the credit union. In this example, the examiner should acknowledge that internal controls are an ongoing issue and expand the scope as necessary, draft a DOR to address the root cause of the problem, or reflect the ongoing risk in the risk and CAMEL ratings.

Credit unions that have a history of similar or repeat problems, even if there are long gaps between them, may warrant expanded review of a specific area or a DOR to address the root cause of the problem(s). Recurring problems are an indication that a root problem needs to be addressed.

**Example:** An examiner writes a DOR requiring a credit union to fund the ALLL account and subsequently determined that the officials properly funded the account at a follow-up contact. The examiner should mark the DOR as resolved. At the next examination, the examiner notes that the ALLL is again underfunded.

The examiner should develop a new DOR, with a new identification date, that addresses the root cause of the underfunded ALLL (for example, inadequate methodology, no internal controls to ensure the expense is recorded, etc.).

When a credit union has partially complied with a DOR item, the examiner must determine if the remaining corrective actions should still be included in the DOR. If an examiner determines that the remaining corrective actions do not need to remain in the DOR, they will mark the DOR as resolved; otherwise, they will mark the DOR item as unresolved and carry forward with the same date from the original DOR. If the examiner wants to re-write the DOR
corrective action plan, they should mark it as resolved and note in the comment section of the DOR module that only part of the DOR corrective action plan has been resolved before creating a new DOR corrective action plan to address the remaining problems. The examiner should use the original date when creating the new DOR.

Content Criteria

Problems requiring immediate attention that examiners will address in a DOR include:

- Systemic, recurrent, or willfully negligent compliance violations
- **BSA violations**, in accordance with the agreement between the NCUA and FinCEN
- Unsafe or unsound practices that reasonably threaten a credit union’s stability
- Unsafe or unsound practices are any action or lack of action that, if left uncorrected, may result in substantial loss or damage to a credit union or its members, including but not limited to:
  - Operating with an inadequate level of net worth or capital for the type, quality, and concentration of assets held
  - Engaging in lax lending and/or collection practices that include, but are not limited to:
    - Extending inadequately secured credit
    - Originating credit without obtaining current financial information
    - Extending credit without adequate controls
    - Extending credit with inadequate diversification of risk
- Operating without adequate liquidity
- Operating without adequate internal controls
  - Examples include internal control weaknesses that can lead to persistent recordkeeping errors, numerous loans granted outside of policy, or manipulation of records
- Failure to keep accurate books and records. This includes an accounting and control structure that does not provide for accurate full and
fair disclosure of financial statements, which may lead to or mask severe financial problems

- Operating without a credit risk management program commensurate with the types of credit extended to the membership
- Operating without an asset/liability risk management process commensurate with the complexity of the balance sheet
- Inadequate corporate governance

When determining whether a problem qualifies as a DOR, examiners will consider the following:

- If left unresolved, could the violation or problem cause the credit union serious financial or operational damage?
- Does the problem result in fundamental noncompliance with laws and/or regulations?
- Is the problem something that would need to be escalated to the next level of enforcement action (PWL, LUA, etc.) if unresolved?
- Is the problem a result of management’s inability or unwillingness to properly identify, measure, monitor, and control risk?
- Is the problem widespread throughout the credit union?

While problems that meet the criteria above likely warrant a DOR, examiner judgment is necessary to determine whether a problem meets the definition of a DOR. Examiners will consider the circumstances surrounding a problem and the relative impact on a credit union when determining if a practice is unsafe or unsound at a particular credit union.

If a problem has been ongoing for many years, examiners must use judgment to determine whether it meets the definition for a DOR. Examiners should take the appropriate action, which may include:

- Marking a DOR no longer applicable (NLA) because it has not caused harm to a credit union’s financial or operational condition
- Issuing a new corrective action plan to better address the root cause of the problem
- Moving the problem to the Examiner’s Findings
- Recommending escalated enforcement action
Exclusions

Examiners should refrain from documenting every problem in a DOR. Specifically, examiners should not document the following items in a DOR:

- **Suggestions or items for management to consider.** Examiners may provide suggestions, recommendations, or options a credit union should consider in the Supplementary Facts section of an exam report.

- **Broad or overly general statements that require a credit union to “comply with the examination report” or to correct problems included in the Examiner’s Findings section.** The cover letter attached to each examination report will outline management’s responsibilities, which include acting on the report to correct all deficiencies. CAMEL and risk ratings should reflect management’s ongoing failure to correct problems noted in the DOR or Examiner’s Findings, if necessary.

- **Examiner’s Findings** that are only escalated because they have gone unresolved. Numerous uncorrected Examiner’s Findings may be indicative of uncooperative or ineffective management, and may impact a credit union’s CAMEL and/or risk ratings. A DOR to address uncooperative or ineffective management may be warranted in such circumstances. If circumstances change and the unresolved Examiner’s Finding subsequently meets the criteria for a DOR, examiners should document the problem and corrective action in the DOR.

- Blanket statements that require a credit union to comply with an LUA. By signing, credit union management agrees to correct the deficiencies noted in an LUA. To maintain the administrative record, examiners must document the status of an LUA in the examination report.
  - A DOR issued to a credit union with an outstanding LUA may only include new problems and corrective action plans that are not already addressed in an LUA.
  - For DORs that are issued and then incorporated into an LUA, the examiner may continue to include them in the DOR provided to the credit union or include them under the “Items excluded from DOR” section of the AIRES module for tracking purposes.
  - If a credit union fails to comply with an LUA, examiners should discuss the need for additional enforcement action with the SE. At a
minimum, the CAMEL and risk ratings should reflect management’s failure to comply with an LUA.

**Development Process**

The development of a DOR is outlined in the DOR development decision tree, which begins with discussing the identified problem or problems with management and working to reach agreement that a problem(s) exists. Examiners will ask credit union management to develop an acceptable corrective action plan, or plans, to resolve the problem(s) identified in a DOR.

When drafting a DOR, examiners will:

- Use the “SMART” principle when developing a corrective action plan (Specific, Measurable, Achievable, Results-oriented, and Timely)
- Begin corrective action plans with an action verb
- Tailor the DOR and corrective action plans specifically to the credit union and the experience of the management team
  - Corrective action plans will generally be more detailed and specific in credit unions that have more complex problems and/or less sophisticated management.
- Prioritize the order of DOR items, placing the most critical problems up front
  - Examiners should ensure the DOR focuses only on the most critical items at that contact.
- Categorize similar or related DOR items into logical groups when practical
  - For example, group four separate DOR items related to credit risk weaknesses under a “Credit Risk Management” sub-heading in the DOR.

Examiners should work with credit union management to develop reasonable goals to include in a DOR. Examiners should consider issuing individual DORs to achieve quarterly goals if a DOR corrective action plan will take more than one year to reflect full compliance. Each individual DOR should include an applicable timeframe for completion.

When presenting a final examination report to the officials, examiners should request the board of directors enter a formal board resolution into the minutes to document agreement to resolve all DOR items.
Request Monthly Financial Statements

The *FCU Program and Procedures* and *FISCU Program and Procedures* sections of this manual instruct examiners to obtain monthly financial statements for all troubled institutions where the financial condition is a problem and the credit union represents significant risk to the share insurance fund.

Because credit unions that require monthly monitoring generally have material concerns, examiners may document the requirement to send monthly financial statements and/or board packets in a DOR. This provides documentation that management has agreed to submit these items to the examiner by a specified time each month. When including this action item in the DOR, examiners will use the Non-Risk (Housekeeping) option under the risk areas in the *DOR module*. 
**Cease or Suspend Credit Union Activity**

Examiners will use the following process when issuing a DOR that requires a credit union to cease or suspend an activity.

<table>
<thead>
<tr>
<th>Step</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Obtain and document SE approval or disapproval in the <strong>Confidential Section</strong> when issuing a DOR that requires a credit union to cease an activity.</td>
<td>Depending on the severity of the situation, escalated administrative action (<strong>RDL, LUA, C&amp;D</strong>, etc.) may be necessary.(^1) Clearly outline the steps the credit union must take to resume the activity in the DOR.</td>
</tr>
<tr>
<td>2. Identify when you will perform a follow-up contact (on or off-site) to determine if the credit union has complied with the DOR item based on the timeframe for completion provided to the credit union.</td>
<td>Include this time in the “Plans and Budget” tab of the Scope module of AIRES.</td>
</tr>
<tr>
<td>3. Instruct the credit union to contact the Regional Director in writing when it has taken the steps outlined in the DOR item and wants to resume the activity (this is done through the examination report).</td>
<td>The regional office will then notify the examiner and SE.</td>
</tr>
<tr>
<td>4. Perform a contact (on or off-site) within 120 days of being notified by the credit union that it is in compliance with the DOR to assess the credit union’s compliance and determine whether</td>
<td>The ARD may approve exceptions to the 120-day follow-up requirement.</td>
</tr>
</tbody>
</table>

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\(^1\)For example, if a credit union has placed a large percentage of its assets in member business loans in a two-month period without adequate controls, policies, or procedures, a Cease and Desist order may be warranted in addition to a DOR.
### Notes

<table>
<thead>
<tr>
<th>Step</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>the DOR can or should be lifted.</td>
<td>If the credit union has not adequately corrected the problem(s), outline the remaining steps it must take to resume the activity.</td>
</tr>
</tbody>
</table>

5. Complete an AIRES upload and issue a report to officials notifying them of whether they have met the requirements to resume the activity.

This process does not prohibit an examiner from issuing DOR corrective action items to address the residual risk of the activity with timeframes for completion that correspond with the examiner’s supervision plan.

Last updated March 11, 2020

**Disagreements**

If management does not agree with a problem identified in a DOR, the EIC will evaluate the reasons for the disagreement and ensure they have identified the core problem(s). Once the core problem(s) has been identified and agreed on, the EIC will ask management to develop an acceptable corrective action plan(s).

If management cannot provide an acceptable corrective action plan, the EIC will develop a plan and strive to get management's agreement. If management does not agree to comply with an EIC-developed corrective action plan, the EIC will:

- Weigh management’s failure to identify and resolve problems in the management CAMEL component and overall composite ratings
- Incorporate the following language into the DOR, along with the EIC-developed corrective action plan:
  - “These plans for action, although not approved by the credit union officials, are recommended to correct the area of concern. The officials have agreed to review the plans and to notify the Regional Director, National Credit Union Administration, (ADDRESS), by (DATE), of the actions to be taken.”

Acceptable corrective action plan(s) developed by either a credit union or an examiner must be included in the finalized DOR.
For problems an examiner determines to be particularly severe, the EIC will notify their supervisor and consider drafting an RDL urging credit union officials to either accept the resolution offered in the DOR or to formulate an acceptable alternate plan that recognizes and resolves the problem(s). However, when agreement cannot be reached the overall risk to a credit union warrants it, it may be necessary to recommend escalated administrative action.

Examiners should document all cases of disagreement and the intended steps to ensure proper resolution and follow-up of the problems identified in the Confidential Section of the examination report. If an examiner suspects or has identified fraud or ethical concerns, a more unilateral approach may be necessary. In such instances, examiners should notify the supervisory examiner.

Last updated March 11, 2020

**Extreme NEV Supervisory Test Results**

The appropriate corrective action for extreme NEV Supervisory Test results depends on the source of the IRR exposure. (See NCUA Letter to Credit Unions 16-CU-08, Revised Interest Rate Risk Supervision.) Elevated levels of IRR raise the degree of potential urgency that a credit union may need to act. Consequently, examiners should request, through their field supervisor, assistance from specialized resources such as the Regional Capital Market Specialists for credit unions with extreme NEV Supervisory Test results.

When using credit union-generated NEV information (verified by the examiner) for an FCU with more than $100 million in assets and the NEV Supervisory Test results are extreme, examiners must issue a DOR or other supervisory action to reduce the IRR exposure unless extenuating circumstances exist. The DOR will require credit union management to develop a plan to reduce the credit union’s IRR exposure to a less than an extreme risk level as measured by the NEV Supervisory Test and submit the plan to the Regional Director within 45 days of the DOR issuance, as seen below.

- Exam process (60 days)
  - When NEV supervisory results are extreme, issue DOR for management to develop a plan to de-risk within 45 days

- Credit union develops de-risk plan (within 45 days)
  - Credit union management submits plan to de-risk within 45 days of DOR delivery.
NCUA reviews de-risk plan (within 30 days of receipt)
- If revisions are necessary, credit union resubmits updated plan within 30 days and NCUA responds to revisions within 30 days.

Credit union de-risks in accordance with de-risk plan
- On- or off-site supervision to evaluate DOR progress until management fully achieves DOR and reduces IRR exposure to plan levels.

Examiners will inform management during the DOR development process that an extreme IRR level represents undue risk (§ 741.3(d)). The NCUA will provide credit unions the opportunity to reduce the IRR level. However, in the rare circumstances a credit union is unable or unwilling to de-risk, regions must follow a process that involves providing a recommendation to the NCUA Board to reclassify the credit union's net worth classification down a category based upon safety and soundness (§ 702.102(b)). In this rare situation, examiners will follow the process for unresolved extreme IRR.

Extenuating Circumstances

Extenuating circumstances may exist that suggest a DOR may not be necessary when the IRR level is extreme. Typically, a low book equity position or material positions in long duration asset portfolios that have significant price sensitivity cause extreme NEV Supervisory Test results. In a situation that involves a credit union building its low net worth through an existing NWRP and not holding long duration assets, the post shock NEV ratio would likely be extreme and the post shock NEV sensitivity likely low or moderate. A DOR would not be effective in this situation because the credit union is addressing its low net worth issue through the NWRP and the balance sheet’s IRR exposure is limited at low or moderate sensitivity. For further information on IRR related DORs, see Tab F – Overall IRR Rating – Section III: Supervisory Actions in the Guidance to IRR Workbook.

The timeframe to reduce IRR exposure depends upon the facts and circumstances of the credit union and the de-risking strategy, typically either active or passive strategies. (For more information, see Mitigation Strategies in the Examiner's Guide.)

Unresolved Extreme IRR

Extreme IRR is classified as unresolved if 45 days have elapsed since the DOR was issued and the credit union has not provided a plan to reduce the extreme
IRR, or if credit union management refuses to accept the de-risking DOR (and a final report has been issued documenting the refusal).

NCUA regions are required to respond to a credit union’s unwillingness or inability to de-risk. First, the NCUA region will inform a credit union of either:

- Inadequate progress towards developing a de-risking plan, or
- Inability or unwillingness to de-risk

The region will also recommend to the NCUA Board, through E&I, the reclassification of the credit union’s net worth classification, based on safety and soundness concerns associated with the extreme IRR level (§ 702.102).

Next, there is a timing-based open notice and opportunity for hearing, as described in § 747.2003 of the NCUA's regulations. If the NCUA Board determines, after the notice and opportunity for hearing, that the credit union is an unsafe or unsound condition or has not corrected a materially unsafe or unsound practice, it may reclassify the net worth classification of a "well capitalized" credit union down to "adequately capitalized," and require an "adequately capitalized" or "undercapitalized" credit union to comply with certain mandatory or discretionary supervisory actions as if it were in the next lower net worth category, based upon safety and soundness (§ 702.102(b)).

A credit union may request the NCUA Board rescind a reclassification. This is likely to occur when the credit union is no longer in an unsafe or unsound condition, or has corrected a materially unsafe or unsound practice.

For more information about interest rate risk, see the NCUA Examiner's Guide.

1The IRR examination scope prescribes the number of exam steps using total assets. Credit unions with total assets of $100 million or less do not require the IRR Workbook, including the NEV Supervisory Test.

**Follow-up**

Generally, examiners should follow-up on DOR items within 120 days after the timeframe for completion has passed. In the case of CAMEL 3, 4, and 5 credit unions, the current follow-up supervision requirements outlined in the District Management section of this manual will allow for adequate follow-up on DORs.
If an examiner is unable to complete a follow-up within the 120 day time-frame, they must document the reason a follow-up contact was not completed, along with SE approval, in the Confidential Section.

In a CAMEL 1 or CAMEL 2 credit union with a DOR, examiners should evaluate whether a CAMEL 1 or 2 rating is warranted. If it is, the examiner can set the timeframe for completion to coincide with the next scheduled contact or examination. If a time-sensitive DOR needs to be completed before the next scheduled contact or examination, examiners will follow-up within 120 days of the timeframe for completion.

Examiners will follow-up on outstanding DOR items through onsite and/or offsite supervision. Examiners must follow policy outlined in this manual (see FCU Program and Procedures and FISCU Program and Procedures) when completing on- and offsite supervision.

Examiners should track DOR timeframes for completion and follow-up with credit union management by phone or e-mail to discuss the status of DOR items as part of offsite supervision. Examiners will mark DORs that can be confirmed offsite as resolved or unresolved in the DOR module accordingly and upload the AIRES file.

For items that need to be reviewed onsite, examiners will determine their status and update the DOR module at a credit union’s next scheduled onsite contact. For simplicity, examiners may consider using the next scheduled contact date to determine the timeframe for completion.

When onsite for a follow-up contact or at the following examination, examiners should include review of the prior DOR in the examination scope. If an examiner identifies an unresolved DOR item, they should first identify why the item is unresolved to properly address and resolve the recurring problem. The reason a DOR item remains unresolved will determine the subsequent steps necessary.

When determining appropriate follow-up action, examiners should consider whether a corrective plan has proven to be unachievable or unreasonable, and management’s response to the plan.

Last updated March 11, 2020
Written Response

If a credit union fails to take corrective action within the timeframe stated in a DOR, the examiner must request the credit union submit a written response. This applies to all credit unions, regardless of CAMEL rating.

Examiners may include an action item in the DOR requiring a credit union to provide a written response to the examination report by a specific date. Examiners may also address this request in any other section of the examination report as needed. When including this action item in a DOR, examiners will use the Non-Risk (Housekeeping) risk area option in the DOR module.

Resolved or NLA DOR Items

Examiners must mark DOR items resolved when a credit union has implemented the corrective action agreed upon in the corrective action plan, even if a credit union’s financial trends do not yet reflect the improvements the actions were intended to correct.

Example: A credit union agrees to a DOR corrective action plan that requires the institution to reduce operating expenses to address negative earnings and a high operating expense to average asset ratio. Upon follow-up, the examiner finds that, while the credit union has made adequate expense cuts, the operating expense to average asset ratio remains high. The ratio will not reflect the full impact of the expense cuts for two more quarters. The examiner should mark the DOR as resolved.

When marking a DOR resolved, examiners may address any ongoing risk associated with the corrective action plan in a variety of ways that include, but are not limited to:

- Documenting the credit union’s compliance with a DOR in the DOR Status Report or the Examination Overview
  - Examiners may document that management should continue to monitor a specific operating area or risk area until the credit union reaches an agreed-upon goal.
- Creating a new DOR for the credit union to achieve an agreed-upon goal (examiners should provide a resolution timeframe that provides adequate time to accomplish the goal)
There may be instances when an examiner will need to mark a DOR item as no longer applicable in the DOR module, rather than resolved or unresolved. Examiners will not use NLA if a credit union has resolved a problem. Examiners must provide a comment when marking an item as NLA. For example, it may be appropriate to use NLA if a DOR required a credit union to perform due diligence on a new indirect lending program, and an examiner finds that the credit union has discontinued its indirect lending program.

**Recurring or Unresolved DOR Items**

Examiners must ensure that items significant enough to be included in a DOR are resolved in a timely manner. For any credit union with a recurring or unresolved DOR item, regardless of its CAMEL rating, field staff will:

- Ensure repeat problem areas are properly noted, with accurate comments and accurate dates of identification
  - When the original identification date is used for a repeat DOR item, examiners will ensure the corrective action is the same as the previous DOR (not necessarily the wording, but the type of corrective action).

- Document credit union officials’ failure to adequately resolve problems by placing an asterisk beside the repeat DOR item and include a footnote, "This is either a repeat or carry-over DOR. Please see the DOR Status Update document for specific information on individual DOR items."

- Consider the quality of management, and weigh management’s failure to resolve problems in the management CAMEL component and overall composite rating

If a credit union fails to take corrective action within the timeframe stated in a DOR, the examiner will require the credit union to submit a written response. This applies to all credit unions, regardless of CAMEL rating. If a credit union fails to take the corrective action agreed to at the last examination/supervision contact, examiners will document why management failed to take corrective action in the DOR module of AIRES (in the DOR Status and Comment section). If additional documentation is necessary beyond what is provided to a credit union in the DOR Status Report or other sections of the exam report, examiners may use the Confidential Section.
If a credit union fails to address outstanding DOR items, the examiner will recommend additional enforcement action, such as an RDL, LUA, or PWL.

If the supervisor does not concur with additional enforcement action, examiners will document the rationale in the Confidential Section, as well as the nature of the problem, agreements to correct the problem, their supervision plans, and the reason no additional enforcement action was pursued.

Quality Control

E&I periodically reviews reports and samples examinations to ensure compliance. E&I will notify the regions of any long-standing problems and DOR items. Regions are responsible for following up with field staff.

Examiner’s Findings

The Examiner’s Findings reflect problems that credit union management must address, but which do not currently threaten the viability of the credit union or represent systemic violations. Management can determine the timeframe and approach for correcting these problems, and can do so in the normal course of business.

Repeated failure to resolve problems in the Examiner's Findings could indicate a serious underlying management deficiency and result in a DOR to address management’s lack of controls to ensure problem resolution. However, failure to resolve these problems does not automatically warrant escalating a finding to a DOR. Examiners should determine the root problem and determine if that meets the DOR content criteria.

Generally, Examiner’s Findings only include a statement of a problem. Examiners may provide a recommended corrective action to resolve a problem when necessary, such as when a credit union needs specific direction or asks for guidance on correcting certain problems.

When drafting an Examiner’s Finding, examiners should cite the specific section of the Federal Credit Union Act, NCUA regulations, Federal Credit Union Bylaws, or other authority that applies to the subject matter. If a credit union has violated more than one authority, examiners should cite the highest authority.
**Unresolved Prior Examiner’s Findings**

If an examiner discovers that a credit union has not corrected prior Examiner’s Findings, they must determine the reason behind the lack of resolution and the materiality of the concern. Numerous uncorrected Examiner’s Findings may indicate management is uncooperative or ineffective, which may suggest the need for other administration action.

At a minimum, examiners should list any uncorrected Examiner’s Findings noted during previous examinations under a heading such as "Examiner’s Findings Noted at Previous Examination Not Yet Corrected," or by identifying the Examiner’s Finding and including a similarly worded footnote. Examiners should not automatically escalate repeat Examiner’s Findings to a DOR.

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**Loan Exceptions Schedule(s)**

Examiners should list weaknesses in loan underwriting, lack of compliance with credit union underwriting policies, regulatory compliance issues, etc. on the loan exceptions schedule(s).

If used, examiners will include the loan exceptions schedule(s) in the official examination report. If the loan review reveals material or systemic weaknesses, the examiner should address these issues in other portions of the examination report as needed.

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**Status Update**

Field staff will use the Status Update template to document a credit union’s compliance with outstanding administrative actions (LUA, PWL, etc.) and NWRPs. For each document, field staff should provide a separate Status Update. For example, if a credit union has an outstanding LUA and NWRP, field staff will create a Status Update for each of the outstanding documents.

At a minimum, field staff will include each outstanding corrective action or goal and the most current status of each in the Status Update.

Field staff will include the Status Update(s) in the official examination report provided to credit union officials. However, if a credit union does not have any outstanding enforcement actions or an NWRP, field staff should exclude this document from the report.
When upgrading a credit union from a CAMEL 4 or 5, or removing an LUA, field staff must complete a Status Update.

Supplementary Facts

The primary purpose of the Supplementary Facts document is to provide additional, detailed information that enhances or supports issues already discussed in the Examination Overview or other portion of the examination report.

Examples of items to discuss in the Supplementary Facts include:

- Background information related to specific concerns documented elsewhere in the examination report. For example, a detailed analysis of IRR modeling concerns, which may not be appropriate for an overview discussion but should be documented and shared with credit union officials.

- Information about new laws or regulations that impact or will soon impact a credit union.

- Background information on more detailed or complex accounting issues affecting the credit union.

- Other issues such as bond claims, fraud concerns, or contingent liabilities that warrant further discussion.

If the Supplementary Facts include discussion of issues that affect a credit union’s operations or information supporting other documents in the examination report, examiners must include it with the official examination report provided to the officials.

However, if an examiner only includes content provided for informational purposes (for example, to provide recommendations or suggestions), they can exclude the Supplementary Facts document from the official examination report and only provide it to management informally.

Supporting Workpapers

In addition to the examination report documents provided to a credit union, examiners must complete and upload sufficient AIRES workpapers to support the examiner’s conclusions, and the NCUA’s administrative record. National
guidance, as outlined in the NSPM, dictates the required workpapers for each type of examination or contact.

**Scope Module**

The examination scope describes the type, depth, and results of review conducted within each risk area during a credit union examination and, in some cases, supervision contact. Additional guidance on completing the Scope module can be found in the following:

- [FCU Program and Procedures](#) section of the NSPM
- [FISCU Program and Procedures](#) section of the NSPM
- Scope Development and Planning section of the [Examiner's Guide](#)

The most recent NCUA Instruction 5000.20, [Examination Scope](#), discusses expectations for conducting reviews of specific areas in more detail.

**Exam Management Console**

The Exam Management Console (EMC) captures basic information for all contact types. There are three main tabs on the EMC screen:

1. General Exam Information
2. Time Detail
3. Completion Information

**Consumer Compliance Violations Module**

Examiners must document violations of federal regulation detected during the examination and supervision process on the Consumer Compliance Violations module in AIRES. Examiners will follow the procedures for BSA violations outlined in the [BSA Enforcement](#) section of the NSPM.

**AIRES Questionnaires**

AIRES questionnaires are available to assist examiners in completing examination steps. Examiners must include all questionnaires required by the most recent NCUA Instruction 5000.20, [Examination Scope](#).

Examiners must use their judgment to determine when best to use questionnaires and optional questionnaires.
Effective Writing

Staff must prepare documents in accordance with the NCUA Communications Manual and plain writing guidelines. All documentation prepared by NCUA staff should be fact-based, professional, and objective. Staff will use clear, concise, well-organized, language that is appropriate to the subject matter and the intended audience. Simple language and short sentences are generally the most effective.

Following such guidelines helps improve the effectiveness of written materials by making information easier for the recipient(s) to understand. Examiners should consider the needs of their readers and avoid the use of jargon and overuse of technical terms, acronyms, adjectives, and adverbs. When considering an abbreviation, or how many to use, examiners should keep in mind that abbreviations should make a document easier to understand. The effectiveness of documentation is significantly diminished if the overuse of abbreviations make a document harder for readers to understand by forcing them to refer to the list of approved abbreviations provided in the NCUA Communications Manual.

While each examiner will develop an individual style of writing, the following suggestions may be helpful in increasing effective communication:

- Organize content with the reader in mind. Accurate and descriptive topical headings, in order of importance, promote reader interest.
- Comments should be as brief as possible while still retaining accuracy and clarity.
- Comments should be factually objective and not phrased as criticisms of particular individuals.
- Limit comments related to minor issues, recommendations, or material concerns that were corrected during the examination.
- Ratios or percentages are meaningful to examiners, but their significance is not always apparent to credit union officials. Examiners should not rely on ratios alone to convey ideas. Cited ratios should support a conclusion or recommendation, and should be explained to the reader.

Plain Language

The NCUA is responsible for ensuring that agency staff prepare documents according to plain writing guidelines. The plain writing guidelines used by the
NCUA can be found at PlainLanguage.gov. Plain language is communication your audience can understand the first time they read or hear it; it is easy to understand and use.

A plain language checklist is available on PlainLanguage.gov. In general, use the following tips when preparing written correspondence:

- Write for the average reader
- Organize content to serve the reader's needs
- Remove unnecessary words
- Avoid “nesting” information in more than two or three levels
- Use short sections and sentences
- Use familiar words
- Simplify complex material using lists and tables
- Express requirements with "must" (avoid "shall," which is ambiguous)
- Use active voice
- Place words carefully (avoid large gaps between the subject and object and place modifiers appropriately)

Citations

Examiners may cite a credit union for violating a law, regulation, or failing to comply with enforcement orders or other enforceable conditions. When citing a violation, examiners will:

- Cite the highest, most specific authority
- List multiple citations, if necessary
  - Field staff may also include references. For example, examiners should cite § 741.3(b)(5) for violations of the IRR rule, but can also reference NCUA Letter to Credit Unions 12-CU-11 to provide a credit union additional information regarding the regulation.
  - Refrain from citing “safety and soundness” or “unsound business practice” (if necessary, cite § 741.3 of NCUA regulations, as appropriate)


- Use “part” when referring to the entire part of a regulation (“part 723” or “part 702”)
- Use “Section” (when a citation appears at the beginning of a sentence) or “§” when referring to a specific section of a regulation (“Section 723.8” or “§ 723.8”)

Section 206(b)(1) of the Federal Credit Union Act gives the NCUA the ability to terminate insurance for unsafe and unsound practices. Even though a DOR may not lead to termination of insurance, the Act implies that credit unions must operate in a safe and sound manner as a condition of insurance. Section 741.3 of the NCUA regulations also requires credit unions to operate in a safe and sound manner as a condition of insurance.

The following hierarchy of citations includes the most common citations used by NCUA examiners. Laws and statutes are the highest authority an examiner can cite, followed by rules and regulations. Examiners should always cite the highest, most specific authority.

1. Laws and statutes
   - Federal Credit Union Act
   - State law
   - Consumer compliance laws

2. Rules and regulations
   - Federal Credit Union Bylaws
   - NCUA regulation (including preamble, as needed)
   - GAAP/FASB rules

References
Examiners may reference regulator or industry guidance and manuals to provide additional information or clarity to credit union officials. Guidance and manuals do not have the force and effect of law—the NCUA does not take
enforcement actions based on such guidance. Examiners may not criticize a credit union for “violating” guidance or a manual.

Examiners may not cite a credit union for violating guidance.

In general, guidance outlines an agency’s supervisory expectations or priorities and articulates an agency’s general views regarding appropriate practices for a subject area. Examples of practices that an agency generally considers consistent with safety-and-soundness standards or other applicable laws and regulations, including those designed to protect consumers, are often presented in such guidance.

When an examiner identifies unsafe or unsound practices in an area that does not constitute a violation of law or regulation, or other deficiencies in risk management (including compliance risk management), they may reference guidance to provide examples of safe and sound conduct, appropriate consumer protection and risk management practices, and other actions for addressing compliance with laws or regulations.

**Regulator or industry guidance**

- [FFIEC](#) guidance
- NCUA [IRPS](#) (including preamble, as needed)
- NCUA [General Counsel Opinion Letter](#)
- NCUA [Letters to Credit Unions and other guidance](#)
  - Letters to Credit Unions
  - Letters to Federal Credit Unions
  - Risk Alerts
  - Regulatory Alerts
  - Accounting Bulletins
  - Policy statements

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1 Government regulations generally have the force and effect of law. Such regulations generally take effect only after an agency proposes a regulation to the public and responds to comments on the proposal in a final rulemaking document.
FAQs
Interagency guidance

**Regulator or industry manuals**

- [Examiner's Guide](#)
- [NCUA Chartering and Field of Membership Manual](#)
- [NCUA Accounting Manual for Federal Credit Unions](#)

*Last updated March 11, 2020*
Fair Lending Examination Program and Procedures

The NCUA created its Office of Consumer Financial Protection in 2010 to demonstrate the increased importance the agency places on consumer protection. The OCFP is responsible for consumer compliance policy, program, and rule-making, fair lending examinations, interagency coordination for consumer financial protection and compliance issues, consumer complaints, and financial literacy programs.

With the exception of federal credit unions that have more than $10 billion in assets (which are under the supervisory authority of the CFPB for consumer financial protection matters), the NCUA enforces the Equal Credit Opportunity Act and Regulation B in federal credit unions, and the Home Mortgage Disclosure Act and Regulation C in all federally insured credit unions. The OCFP’s Division of Consumer Compliance Policy and Outreach is responsible for conducting fair lending examinations and off-site supervision contacts, as well as HMDA enforcement.

The NCUA also assesses compliance with the Fair Housing Act and reports violations to the Department of Justice. The NCUA conducts on-site fair lending examinations and off-site supervision contacts with federal credit unions to assess compliance with fair lending laws using the FFIEC Interagency Fair Lending Examination Procedures (Aug. 2009). For more information regarding the OCFP’s fair lending reviews, visit the Fair Lending Compliance Resource section of the Consumer Compliance Policy and Outreach’s SharePoint site.

Roles and Responsibilities

OCFP Responsibilities

Risk Assessment and Credit Union Selection

- Request recommendations for fair lending examinations and off-site supervision contacts from regional offices at least annually
- Analyze HMDA data provided annually to the NCUA from federally insured credit unions, in coordination with the Office of the Chief Economist
- Select federal credit unions for on-site fair lending examinations and off-site supervision contacts based on a credit union’s fair lending risk profile (which includes information provided by regional offices) and member discrimination complaints
  - OCFP will attempt to work high-risk referrals into each year’s schedule of examination and supervision contacts.

- Notify the appropriate regional office and seek input before contacting the credit unions selected for a fair lending examination. The notification will include:
  - A list of federal credit unions selected, along with a summary of the basis for selection and any preselected focal points to be reviewed
  - A request for the date of each credit union’s next safety and soundness exam and point of contact (supervisory examiner or district examiner), if available
  - A request for information on any unusual circumstances OCFP should consider before proceeding with a fair lending examination

- Notify the appropriate regional office of the reason why a fair lending examination request was not accepted

**Examinations, Supervision Contacts, and Follow Up**

- Notify credit unions at least four weeks in advance of the fair lending examination or off-site supervision contact
  - OCFP will provide the appropriate regional office with a courtesy copy of credit union notification letters.

- Request volunteers to assist with fair lending examinations and supervision contacts, as needed, through a Notice of Interest to all NCUA staff, in consultation with the Office of Human Resources

- Complete fair lending examinations and off-site supervision contacts according to guidelines outlined in the FFIEC Interagency Fair Lending Examination Procedures

- Recommend corrective action, including informal or formal administrative action or DOJ referral, when deficiencies are identified in a fair lending examination or supervision contact
  - OCFP will consult with the appropriate regional office prior to recommending a referral to DOJ.
• OCFP will copy the appropriate regional office on OCFP Director Letters, and will consult with the appropriate regional office before issuing an LUA, PWL, or C&D.

• Track, monitor, and follow-up on compliance with corrective actions including, but not limited to, Examiner’s Findings and DOR items, as needed

• Participate, as resources permit, on fair lending reviews conducted during safety & soundness examinations

OCFP normally schedules fair lending examinations independently of safety and soundness examinations. However, OCFP will attempt to schedule concurrently if the regional office expresses a preference.

**HMDA Late and Non-Filers**

• Analyze HMDA data to determine if any federally insured credit unions that were required to file HMDA data for a specific year either did not do so in a timely manner or failed to file.

• Notify appropriate regional offices of any HMDA late or non-filer federally insured credit union
  • OCFP will consult with the appropriate regional office prior to issuing PWLs, or sending OCFP Director Letters or CCPO Director Letters to federally insured credit union concerning a HMDA late or non-filer matter. OCFP will copy the appropriate regional office and, if applicable, the appropriate SSA on any PWLs, OCFP Director Letters or CCPO Director Letters sent to a federally insured credit union concerning a HMDA late or non-filer matter.

**Regional Office Responsibilities**

• Respond to OCFP’s annual request for recommendations regarding which credit unions to examine or supervise
  • The regional office will provide the name and charter number of credit unions with elevated fair lending risks, as well as a brief description of the basis for the recommendation.

• Submit high-risk cases to OCFP on an ad hoc basis

• Consult with OCFP on fair lending related LUAs, PWLs, C&Ds, and DOJ referral cases
Federal Credit Union Selection for Review

OCFP selects federal credit unions for either an on-site fair lending examination or an off-site supervision contact based on a credit union’s risk profile. Federal credit unions selected for a fair lending examination or off-site supervision contact exhibit elevated fair lending risk characteristics.

Criteria used to determine a federal credit union’s fair lending risk may include:

- HMDA outliers determined from review of annual HMDA reports
- Fair lending findings or violations noted in recent safety and soundness examinations
- Elevated compliance risk noted in recent safety and soundness examinations
- The volume, types, or complexity of the lending products and services offered, or types of communities served
- Lending discrimination complaints against the credit union

The number of federal credit unions selected may vary each year based on available resources. OCFP may also participate in a fair lending review of a federal credit union during a WCC 10 exam.

Field Recommendations

Given their direct knowledge of credit union lending practices, policies, and management strengths and weaknesses, field staff are in the best position to identify credit unions having elevated fair lending risk.

OCFP is particularly interested in identifying credit unions that have:

- Lending policies or practices that discriminate on a prohibited basis
- Lending personnel who have made negative statements towards protected groups or individuals (including documentation of such comments in loan files)
- Member or employee complaints alleging lending discrimination

Notify the appropriate SSA of information provided by OCFP concerning any HMDA late or non-filer state chartered credit union.
- Systemic ECOA (Regulation B) or HMDA (Regulation C) violations
- Discretionary loan underwriting or pricing practices, when present with limited or no monitoring or internal controls
- Lending distinctions tied to geography that may disproportionately impact protected groups or individuals
- Lending programs that are available to specific groups, individuals, or select employee groups, but not the entire field of membership
- Particular incentives created by employee compensation structures that may disproportionately impact protected groups or individuals

Requested Participation for SCU Selected for Review by SSA

When requested by an SSA, OCFP may participate or assist on a fair lending examination conducted at a state-chartered credit union by its SSA. The OCFP Director will determine whether to participate on such examinations. The determination to participate will depend on available resources. Depending on the size and scope of an examination, OCFP may request assistance with the examination from the region whose coverage includes the state requesting participation.

On-Site Fair Lending Exams (WCC 03)

NCUA staff use WCC 03, OCFP On-site Fair Lending Review, for on-site fair lending examinations. Fair lending examinations are used to:

- Enforce credit union compliance with fair lending laws and regulations and HMDA and Regulation C compliance, and strengthen credit unions’ fair lending programs through risk-based examination procedures, including transaction testing
- Educate credit unions on fair lending and consumer protection laws and regulations.

Fair lending examinations are risk-based and conducted in accordance with the August 2009 FFIEC Interagency Fair Lending Examination Procedures.
At the conclusion of the exam, a federal credit union will receive a written fair lending examination report, and the analyst- or examiner-in-charge will conduct an on-site meeting to discuss the findings. District examiners will be notified in advance of meeting dates and times, and may attend if they choose.

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**Off-Site Fair Lending Exams (WCC 33)**

NCUA staff use WCC 33, OCFP Off-site Fair Lending Supervision Contact, for off-site fair lending reviews.

Off-site supervision contacts are used to:

- Determine whether a credit union has adequate policies, procedures, and internal controls to ensure compliance with fair lending laws and regulations.
- Educate credit unions on fair lending and consumer protection laws and regulations.

Off-site supervision contacts are more limited in scope than on-site fair lending examinations. Supervision contacts generally include a fair lending baseline review with no transaction testing.

The analyst- or examiner-in-charge will communicate with federal credit union staff throughout each off-site supervision contact. At the conclusion of the off-site supervision contact, the federal credit union will receive a written report and the analyst- or examiner-in-charge will hold an exit meeting by phone. District examiners will be notified in advance of meeting dates and times.

If an off-site supervision contact identifies possible discriminatory practices or significant findings of non-compliance with fair lending laws and regulations, the federal credit union will be considered for a future fair lending examination.

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**Contact Documentation**

NCUA staff will record and upload the findings and supporting information of a fair lending examination or supervision contact in AIRES. The administrative record in the AIRES upload should fully support violations and weaknesses noted.
<table>
<thead>
<tr>
<th>Tab/Module</th>
<th>Examiners will...</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIRES Scope Tab</td>
<td>Document the scope for the current examination/contact, areas and depth of review, and results of the review</td>
</tr>
<tr>
<td>AIRES Consumer Compliance Violations Module</td>
<td>Document regulatory violations</td>
</tr>
<tr>
<td>Examination Overview</td>
<td>Provide a credit union information related to the fair lending review and address deficiencies requiring corrective action (as needed)</td>
</tr>
<tr>
<td>Examiner’s Findings</td>
<td>Provide a credit union information related to the fair lending review and address deficiencies requiring corrective action (as needed)</td>
</tr>
<tr>
<td>DOR forms</td>
<td>Provide a credit union information related to the fair lending review and address deficiencies requiring corrective action (as needed)</td>
</tr>
<tr>
<td>DOR module</td>
<td>Enter problem codes for tracking purposes</td>
</tr>
<tr>
<td><em>Problems documented in a DOR must be significant enough that OCFP would recommend escalating to the next level of elevated enforcement action for failure to correct the problem.</em></td>
<td></td>
</tr>
<tr>
<td>Confidential Section</td>
<td>Address noteworthy items or actions taken during the contact/examination that are not discussed elsewhere in the report, or discuss management’s ability and willingness to correct areas of concern</td>
</tr>
<tr>
<td>Exam Management Console</td>
<td>Document administrative actions issued by OCFP</td>
</tr>
</tbody>
</table>

CAMEL and risk ratings are assigned by district examiners according to safety and soundness guidelines and will not be changed during a fair lending examination or supervision contact. Fair lending examiners can make recom-
recommendations to the appropriate region to adjust CAMEL and risk ratings, when serious violations are noted.

The analyst- or examiner-in-charge will include additional work papers completed which contribute to the administrative record.

Regional offices, supervisory examiners, and district examiners receive notice of fair lending examination or supervision contact completion and access to the report through the AIRES email notification process.

Contact Follow-Up

OCFP will provide recommendations for corrective action when deficiencies are identified in a fair lending examination or supervision contact. OCFP is responsible for follow-up of compliance with corrective actions, including, but not limited to Examiner’s Findings and DOR items.

OCFP will track DOR timeframes for completion and follow-up with credit union management consistent with the standards outlined in the Administrative Remedies section of this manual. Resolution of corrective action items should be documented in an AIRES upload (WCC 33).

During onsite examinations and supervision contacts, district examiners will consult with OCFP before declaring an Examiner’s Finding or DOR item resolved.

Administrative Remedies

Many of the administrative remedies used by safety and soundness examiners are also available to the OCFP. The timeframes for taking administrative actions take into account OCFP’s process for consulting with other NCUA offices, federal or state financial regulators, and, as appropriate, the credit union. This process is important in resolving any factual disputes and addressing potential legal issues prior to taking a formal agency action.

Report of Administrative Actions

The OCFP will monitor and follow-up on any outstanding administrative action items. OCFP will maintain a record of all informal and formal administrative actions including, but not limited to, OCFP Director Letters, PWLs, and civil
money penalties. The OCFP will provide a quarterly report of these informal and formal administrative actions to the E&I Director. The report will include administrative actions newly issued, currently outstanding (with the exception of OCFP Director and CCPO Division Director Letters), and those canceled since the last report.

**Document of Resolution**

CCPO analysts will note the person(s) responsible, a citation for the problem, and the timeframe for taking corrective action in the DOR. Credit union management’s failure to address DOR items may result in elevated administrative action (for example, OCFP Director Letter, PWL). See the Document of Resolution section of the NSPM for additional guidance on issuing DORs.

**OCFP Director / CCPO Division Director Letters**

The OCFP Director Letter is used when a credit union has serious and/or persistent problem areas that are not being adequately resolved. The OCFP Director Letter may be issued in conjunction with a fair lending examination to emphasize an area of concern. Typically, the CCPO Division Director Letter is used to respond to a first-time late or non-filed HMDA Report.

OCFP will consult with the appropriate regional office prior to sending an OCFP Director or CCPO Division Director letter in connection with a fair lending examination or HMDA late or non-filer matter. OCFP will provide the appropriate regional office and, if applicable, the appropriate SSA, with a copy of the OCFP Director or CCPO Division Director Letter.

<table>
<thead>
<tr>
<th>Fair Lending Examination</th>
<th>The OCFP Director Letter should be issued to the credit union within 30 days of the completion date of the fair lending examination or supervision contact.</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMDA Report</td>
<td>The applicable OCFP Director Letter or CCPO Division Director Letter should be issued to the credit union within 90 days of the availability of HMDA data.</td>
</tr>
</tbody>
</table>

**Preliminary Warning Letter**

A Preliminary Warning Letter is a warning of potential formal administrative action if corrective action is not taken. The OCFP may issue a PWL when a credit union has not adequately resolved serious and/or persistent problem areas identified during a fair lending examination, or in response to repeated
late-filed or non-filed HMDA reports. A PWL will not be issued as a result of an OCFP fair lending off-site supervision contact.

OCFP will consult with the appropriate regional office prior to issuing a PWL in connection with a fair lending exam or HMDA late or non-filer matter. OCFP will provide the appropriate regional office and, if applicable, the appropriate SSA, with a copy of the PWL.

For a **fair lending examination**, the PWL should be issued to the credit union within 60 days after completion of the exam.

- OCFP will forward the draft PWL to the appropriate regional office for review.
- Within 10 days of receiving the draft PWL, the regional office will review the PWL and notify OCFP of its review and any recommended changes. If the regional office is aware of additional safety and soundness concerns, it may propose issuing a PWL directly from the Region to address both fair lending and safety and soundness concerns.
- OCFP will schedule a follow-up contact within 120 days of issuing a PWL to assess the credit union’s compliance.

For a **HMDA report**, a PWL is issued after the credit union’s second HMDA late filing or non-filing within a five-year period. The PWL should be issued to the credit union within 90 days of the availability of HMDA data.

- The PWL should require a written response from the credit union to OCFP, with a copy to the appropriate regional office, within 30 days of receipt of the PWL indicating what actions the credit union has taken or plans to take to address the HMDA late or non-filing matter.
- The OCFP will review the credit union’s response and determine whether corrective action plans are appropriate.
- If the OCFP determines corrective actions plans are not appropriate, OCFP will schedule an off-site supervision contact within 240 days of the availability of HMDA data to counsel the credit union on appropriate policies and procedures.

**Civil Money Penalty**

The OGC must be consulted on all Civil Money Penalty actions and they must be approved as outlined in the NCUA’s Delegations of Authority. Additionally, the
OCFP will consult with the appropriate regional office prior to seeking a CMP against a credit union. The OCFP will provide the appropriate regional office and, if applicable, the appropriate SSA with a copy of the CMP.

Federal law provides that a CMP may be assessed against a credit union for a late-filed or non-filed HMDA report. A CMP is typically issued after the credit union’s third late HMDA filing or non-filing within a five-year period. The CMP should be issued to the credit union within 120 days after the availability of HMDA data.

DOJ Referrals

Under the Equal Credit Opportunity Act, regulators, including the NCUA, must refer a matter to DOJ whenever the agency has reason to believe that a credit union has engaged in a pattern or practice of discouraging or denying applications for credit in violation of 15 U.SC. § 1691(a) of ECOA. The initiating office (OCFP, in the case of a fair lending examination conducted by that office, or the applicable regional office or ONES in the case of a fair lending violation addressed during a safety and soundness examination (WCC 10)) will consult with each other and OGC prior to taking any action to refer cases to DOJ. OGC will deliver all referrals for ECOA violations to DOJ.

Administrative Items

Timeframe to Complete and Upload Fair Lending Examinations/Supervision Contacts

Except for minor differences with start dates, fair lending examiners will complete and upload all examinations/supervision contacts consistent with standards outlined in District Management section of the this manual. The start date for a fair lending examination is the date the analyst- or examiner-in-charge first charges time to the examination, and generally corresponds to the date pre-examination scoping begins. The start date for a fair lending supervision contact is the date the analyst- or examiner-in-charge receives supervision contact materials from a credit union.
Notifying a Credit Union of a Fair Lending Examination or Supervision Contact

OCFP will provide adequate advance notice before starting a fair lending examination or supervision contact. When a fair lending examination runs concurrently with a safety and soundness examination, OCFP will coordinate all scheduling efforts with the district examiner.

Unless special circumstances exist, OCFP will give credit union officials a minimum notice of four weeks. The CCPO Division Director must approve notification periods of less than four weeks. This approval will be documented in the Confidential Section of the report.

As part of the notification process, OCFP will prepare a notification cover letter and items needed list for fair lending examinations and supervision contacts. OCFP will revise the items needed list to meet the needs of the particular examination or contact. OCFP will provide the notification package to the credit union at least four weeks prior to the fair lending examination or supervision contact start date.

Quality Assurance

CCPO’s fair lending program officer (or designee) will perform a written quality control review (QCR) of each fair lending examination. QCRs will evaluate and address:

- The adequacy of problem identification and corrective actions
- Whether examination documentation provides a sufficient administrative record to support the review of focal points, and OCFP’s findings and recommendations
- Consistency in OCFP’s application of DORs, Examiner’s Findings, Loan Exceptions, and recommendations

The fair lending program officer will review each fair lending supervision contact and document the review for the CCPO Director in a summary spreadsheet. Supervision contact reviews will evaluate supervision contact findings, recommended corrective actions, and recommendations for follow-up work. The fair lending program officer will advise the CCPO Director of any recommendation for follow-up work noted in a fair lending supervision contact.
CCPO’s fair lending program officer will provide QCRs to CCPO analysts within 45 days of examination completion.
Federal Credit Union Program and Procedures

The NCUA’s examination program institutes standards for a high quality examination process and establishes guidelines to:

- Identify and mitigate current and emerging risks to the share insurance fund
- Ensure credit unions are in compliance with applicable laws, regulations, and directives
- Initiate appropriate corrective actions supported by a sufficiently detailed administrative record
- Facilitate timely resolution of supervisory concerns

This section of the NSPM explains how examiners will supervise federal credit unions in their districts. Supervision efforts will vary depending on the size of the credit union, the risk to the share insurance fund, and other circumstances as applicable. Supervision includes, but is not limited to, examinations, follow-up examinations, onsite contacts, offsite contacts, offsite monitoring, and trending analysis (for example, Call Report/FPR Trending).

The examination and supervision program is the most important component of managing risk to the share insurance fund and protecting members. Refer to the comparison of examination and supervision programs for federal credit unions and FISCUs for a high-level overview.

Examination Planning

Advance pre-planning is critical for effective examinations. Poor planning before going onsite often leads to unnecessary burden on credit unions and miscommunication between the NCUA and credit union staff. For example, each Items Needed list must be customized to only request items unique and necessary to address the scope and risk profile for each credit union exam. Examiners must keep a copy of the customized Items Needed list in the AIRES file so it becomes part of the administrative record.

Failing to pre-plan can cause frustration for credit unions that spend significant amounts of time gathering information that an examiner does not review.
Pre-Exam Planning Hours and Procedures

Field staff will use WCC 94, Pre-Exam Planning FCU, on weekly time reports to capture time spent pre-planning a federal credit union examination. These hours are separate from, and in addition to, the budgeted hours for examining a credit union. Field staff will document their pre-planning activities with the Pre-Exam Planning Questionnaire and upload it with the exam.

Pre-exam hours must be recorded for each completed WCC 10 exam. Exceptions to the budgeted time must be approved in writing by a supervisor, in advance.

The Pre-Exam Planning Questionnaire is available in the AIRES Scope module.

Field staff will start the pre-planning exam process by opening an AIRES exam WCC 10 for a credit union and charging the hours to WCC 94, Pre-Exam Planning FCU, in the TMS. The AIRES Pre-Exam Planning Questionnaire outlines specific procedures.

Field staff will comply with the latest version of NCUA Instruction 13500.09, Security of Sensitive Information.

Preliminary Risk Assessment

The preliminary risk assessment drives the initial scoping for a risk-based examination. This assessment is documented in the preliminary risk assessment tab of the AIRES Scope module. Field staff will focus on current and emerging risk indicators and evaluate preliminary risks.

Field staff do not complete a preliminary risk assessment for defined-scope examinations. For these exams, examiners will check the SCUEP box in the Preliminary Risk Assessment tab, which will gray out the input fields on the tab.
AIRES Exam Scope (Scope Module)

The Scope module is the permanent record of procedures performed during an examination/supervision contact. All WCC 10 examination procedures will be guided by the expectations outlined in the current NCUA Instruction 5000.20, Examination Scope.

Field Staff

Field staff must thoroughly document the areas reviewed, the results, and the recommended action. Comments like "completed" or "inadequate" are not sufficient. Field staff must include a description of the area reviewed and results obtained, regardless of whether references to other work papers are included in the AIRES scope.

The Scope module should be a comprehensive synopsis of what occurred during the examination or supervision contact. However, when applicable, the completed IRR workbook represents the scope for the IRR review and for scope module purposes, it is acceptable for field staff to state “Refer to IRR workbook” in the Results of Review section of the scope. Additionally, field staff may use the narrative conclusion for the final risk assessment. The IRR workbook framework includes the necessary scope elements of review steps (either required or baseline), fields to enter the results of each review step, a narrative conclusion (in the overall tab), and the IRR rating (high, moderate, or low).

A comprehensive scope will enable the field staff of the next examination to become familiar with the history of the credit union in a shorter amount of time. Field staff must complete the Plans and Budget tab in the AIRES Scope module.

When completing the Scope module and areas of review, all team members with an SME designation will include their designation, in parenthesis, next to their initials in the “Done by” column.

Examiner-in-Charge

EICs are responsible for the sufficiency of the AIRES Scope module. For team exams/supervision contacts, the EIC should complete the scope in advance of the rest of the team’s arrival onsite.

EICs need to continually evaluate the appropriateness of the scope and document procedures commensurate with the size and complexity of a credit
union throughout the course of an examination. EICs will fully evaluate areas that represent a significant risk or potential risk to a credit union.

**E&I**

E&I will review, and update when necessary, the scope expectations in conjunction with changes in key risk indicators, economic conditions and regional concerns by January 1 each year.

*Last updated September 13, 2018*

<table>
<thead>
<tr>
<th>Scope Expectations</th>
<th>Expected Outcomes</th>
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*Table continued...*
Membership Data Information

Membership Data Information will be collected for all natural person federal credit unions in accordance with NCUA Letter to Federal Credit Unions 09-FCU-03, Membership Data Collection. Detailed instructions on membership data collection can be found by clicking the extract button on the Completion Information tab in AIRES.

Federal Credit Union Examinations (WCC 10)

NCUA examiners will use WCC 10 for FCU examinations, including SCUEP defined-scope examinations. Examiners will reference the most recent NCUA Instruction 5000.20, Examination Scope, Appendix B, for required and baseline review areas. For an FCU SCUEP defined-scope examination, examiners will reference Appendix A for required Tier 1 review areas.

As noted in the Instruction, examiners are responsible for using their judgment to adjust the scope to focus on areas of heightened risk. When opting out of
baseline review areas, examiners will provide justification in the Scope module.

Federal Credit Union Supervision Contacts

Supervision contacts typically fall into one of three categories:

1. Follow-up exams
2. Onsite supervision contacts
3. Offsite supervision contacts

For a full list of WCC definitions, see the Work Classification Codes section of the NSPM.

Follow-Up Examinations for Troubled/Problem Federal Credit Unions (WCC 22)

Follow-up examinations are more comprehensive than other onsite supervision contacts and require an analysis of data to support the CAMEL ratings and administrative action recommendations. Examiners will support in the scope, or by other means that can be made part of the administrative record, all of the critical problem areas identified during the regular examination. Before uploading an AIRES contact, examiners will indicate on the AIRES EMC whether the supervision contact was a follow-up examination (yes/no button on the Completion Information tab in AIRES). Examiners typically only perform follow-up examinations on CAMEL 3, 4, or 5 credit unions.

A follow-up examination is a type of onsite supervision contact that applies to both federal credit unions and federally insured, state-charted credit unions.

At a minimum, examiners will perform a follow-up examination, which must include a joint conference with the board of directors, during the following intervals:
Credit Union Description | Follow-Up Exam Requirements
---|---
CAMEL 3 > $50 million | 180 days (from completion date to completion date)
CAMEL 4 or 5 > $50 million | 120 days (from completion date to completion date)

### Timeframe Exceptions for Follow-Up Examinations

Examiners will consult their supervisor and request an extension via email if they cannot complete a follow-up examination within the required timeframe. The guidelines for requesting an extension are:

<table>
<thead>
<tr>
<th>Credit Union Description</th>
<th>Maximum Extension</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAMEL 3 &gt; $50 million</td>
<td>Completion timeframe may not exceed 240 days based on supervisor approval</td>
<td>Any request for an extension of the 180-day requirement must include information which demonstrates that the FCU will not represent increased risk to the share insurance fund resulting from the extended timeframe. Supervisor must approve all requests for extension and forward approval to the region’s DOS mailbox. The ARDP or ARDO, as appropriate, must approve and document in writing any additional extensions and associated considerations.</td>
</tr>
<tr>
<td>CAMEL 4 or 5 &gt; $50 million</td>
<td></td>
<td>Any request for an extension of the 120-day requirement must include information which demonstrates that the FCU will not represent increased risk to the share insurance fund resulting from the extended timeframe. The ARDP or the ARDO, as appropriate, must approve and document in writing extensions for follow-up examinations.</td>
</tr>
</tbody>
</table>

Any approvals to exceed the timeframes listed above require the supervisor or ARDP, as applicable, to forward their approval via email to DOS with sup-
porting documentation. All timeframe extension approvals will include a projected completion date.

**Small Credit Union Supervision Requirements**

CAMEL 3, 4 or 5 FCUs with less than $50 million in assets may receive an onsite supervision contact in lieu of a follow-up examination. The supervision contact or follow-up examination will occur at the frequency described below.

<table>
<thead>
<tr>
<th>Credit Union Description</th>
<th>Follow-Up Exam or Supervision Contact Requirements</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAMEL 3 FCUs with less than $50 million in assets</td>
<td>Onsite supervision between examinations is at the discretion of the region</td>
<td>If BSA or recordkeeping issues are present, the timeframes for those targeted review contacts will be followed.</td>
</tr>
<tr>
<td>CAMEL 4 or 5 FCUs with less than $50 million in assets</td>
<td>Must be completed within 210 days of the examination</td>
<td>No waiver for the 210-day completion requirement for CAMEL 4 or 5 credit unions less than $50 million in assets is available. If BSA or recordkeeping issues are present, the timeframes for those targeted review contacts will be followed and will not be considered the supervision contact necessary to meet this requirement unless all outstanding DOR items receive a full review.</td>
</tr>
</tbody>
</table>

SEs/examiners will use sound judgment to determine, on a case-by-case basis, the completion requirements for any FCU meeting these criteria (within the 210 days for CAMEL 4 or 5 FCUs), tailoring the supervision needs to the credit union. Regional Directors and supervisors may require different completion timeframes or supervision plans for specific risks in a specific credit union.

Examiners will support in the scope, or by other means that can be made part of the administrative record, all of the critical problem areas identified during
the regular examination. The contact must include a joint conference with the board of directors.

Each region will establish monitoring procedures for follow-up examinations and timeframe extensions, until a national system is developed and implemented. The ARDP will review the applicable report(s) and share them with the supervisors to evaluate appropriateness and timeliness of completion contacts to ensure a quality and timely supervision program.

**Follow-Up Examination Documentation**

Examiners document a follow-up examination by uploading an AIRES file, and charging time to WCC 22. At a minimum, the AIRES upload must include:

- AIRES historical download, Exam.xls, and all critical input areas
- Sections in the Scope module that were the subject of the follow-up examination, including pertinent risk ratings. Examiners will document their explanations of any change of final risk ratings in the scope. For any areas not reviewed in the Scope module, “n/a” or “DNR” (did not review) will suffice
- Documentation regarding compliance with any outstanding administrative actions (LUA, PWL, etc.,) in the Status Update
- Documentation regarding compliance with any outstanding Net Worth Restoration Plan (NWRP) / Revised Business Plan (RBP) in the Status Update
- Documentation of compliance or non-compliance with previous DOR items and updated DOR module
- Written narrative report provided to the credit union (for example, Examination Overview, Examiner’s Findings, etc.)
- Completed EMC including all questions and the date of the exit meeting and/or joint conference (a joint conference is required for all CAMEL 3, 4, and 5s, unless the supervisor approves an exception. In the event a quorum is not present, examiners will instruct the credit union’s management to note it in the board minutes and provide documentation to the examiner regarding whether management adopted the DOR at the next board meeting)
- Updated **Supervision Chronology Report** saved in the examination directory for a CAMEL 3 with assets $250 million and greater, and CAMEL 4 or 5
- Consumer Compliance Violations module in AIRES, if applicable
- Completed **Confidential Section**
- Sufficient AIRES work papers to support the scope of review and the conclusions drawn and any other information necessary to support the scope and time spent on the contact

Examiners are required to issue a report to the credit union for follow-up examinations. Examiners will **deliver the report as they would an examination report**. Examiners must discuss required corrective actions, administrative actions, and provide relevant supporting sections of the report to the officials during the joint conference (for example, DOR, Examiner’s Findings, and other appropriate work papers such as the Supplementary Facts).

**Onsite Supervision Contact (WCC 22)**

An onsite supervision contact is more limited in scope than a follow-up examination. Examiners will typically perform an onsite supervision contact to review one major problem area, to hold a joint conference if it could not be completed as part of the exam, and/or to review the credit union’s compliance with a DOR, etc.

Examiners will perform onsite supervision contacts as needed between regular or follow-up examinations based on the nature and severity of the problems or as their supervisor requires. Examiners will need to make each contact a results-oriented contact designed to achieve corrective action.

Credit unions with significant recordkeeping concerns require an onsite supervision contact focused on ensuring adequate attention to and correction of problems. See the **Significant Recordkeeping Concerns** section of the NSPM for additional guidance for performing supervision contacts for credit unions that have significant recordkeeping concerns.

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**Last updated July 29, 2015**

**Last updated January 23, 2017**
1. Contact Documentation

Examiners document an onsite supervision contact by uploading an AIRES file. At a minimum, the AIRES upload must include:

- AIRES historical download, Exam.xls, and all critical input areas
- Sections within the Scope module that were the subject of the contact including pertinent final risk ratings. Examiners will document their explanations of any change of final risk ratings in the scope. For any areas not reviewed in the Scope module, “n/a” or “DNR” (did not review) will suffice
- Written narrative report provided to the credit union if applicable (for example, Examination Overview, Examiner’s Findings, etc.). Use the Confidential Section to document additional information when a report is not provided to the credit union and in place of a supervision contact memo
- Completed EMC
- Updated Supervision Chronology Report saved in the examination directory for a CAMEL 3 with assets $250 million and greater, and CAMEL 4 or 5
- Any other information necessary to support the scope and time spent on the contact (for example, updated and completed DOR module if focus of contact was to review compliance with DOR items, completed Consumer Compliance Violations module in AIRES if focus was to review compliance violations, etc.)

Examiners will discuss their findings and recommendations during an exit meeting and issue a written report to the officials if the contact results in required action or changes are made to CAMEL or risk ratings.

Offsite Supervision Contacts (WCC 27)

Offsite supervision is discrete supervision or district management activities conducted that are not part of an examination (WCC 10) or onsite supervision contact (WCC 22). Offsite supervision contacts are generally very limited in scope, and are conducted somewhere other than at a credit union. For example, following up on a DOR through phone or e-mail, reviewing a credit union’s response to a DOR, reviewing monthly board packages, or other correspondence with a credit union. Examiners will not change a credit union’s composite CAMEL rating during a WCC 27 contact.
1. Documentation for Offsite Contacts Eight Hours or Longer

At least a minimal AIRES upload or a “minimal contact” is required for all WCC 27 offsite contacts to complete discrete activities (for example, review board packages or credit union’s response to a DOR) if field staff charge eight hours or more. Examiners document an offsite supervision contact of eight hours or more by uploading a “Minimal Contact” report in AIRES and charging time to WCC 27.

At a minimum, a “minimal contact” AIRES upload must include a completed EMC with documentation of the contact scope, progress, conclusions, recommendations, etc. in the “Examiner Comments” section on the Completion Information tab of the EMC. If field staff need more room to document a contact, they will include it in the Executive Summary or Supplementary Facts.

Field staff will need to bypass the minimal upload if MS Word or Excel files are used (minimal contact uploads do not include these file types). Field staff will not use the minimal contact upload if attachments are necessary to document the contact or support the administrative record.

Field staff will not use offsite supervision (WCC 27) to charge time for substantive work that is completed as part of an examination (WCC 10) or onsite supervision contact (WCC 22), even if the work is completed offsite.

An AIRES upload with a completed Scope module for offsite supervision is only required for a material change in risk ratings. Otherwise, the Scope module is optional.

Documentation for Offsite Contacts Shorter Than Eight Hours

Time spent performing offsite supervision in increments less than eight hours for the same credit union should be aggregated and uploaded on a quarterly basis, shortly after the end of the quarter. If the aggregate time charged in a quarter is less than eight hours, an AIRES upload is not required.
Monthly Financial Monitoring (WCC 27)

Examiners must trend monthly financial data for the following:

- Any CAMEL 4 or 5 credit union with more than $250M in assets
- Any CAMEL 3 credit union with more than $1B in assets
- All cases assigned to the Division of Special Actions
- All troubled institutions in which financial condition is a concern and the credit union represents significant risk to the share insurance fund (as in the case of a large, troubled institution)

Examiners must trend the data using SATEX or an equivalent tool. Examiners will charge this type of offsite supervision to WCC 27 and will upload a Minimal Contact.

Examiners should make every effort to receive monthly financials directly from a credit union. For example, a section of the DOR could request financial and/or board packets be sent on a monthly basis to the examiner. The supervisor will, on a case-by-case basis:

- Notify the FCU when there is a change in district assignment or the monthly financial data is no longer needed
- Determine the format of the examiner's analysis and reporting requirements

Processing of Call Reports and Trending for Federal Credit Unions (WCC 20)

Examiners will perform offsite supervision while reviewing the Call Report, risk reports, FPRs, and other offsite monitoring tools for their district. Examiners will use WCC 20 for FCU reviews. Refer to the NSPM for more information on trending.
OCFP/Regional Office Fair Lending Examinations and Supervision Contact Coordination

The Office of Consumer Financial Protection has supervisory authority to conduct on-site fair lending examinations and off-site fair lending supervision contacts in federal credit unions.

The NCUA implemented its fair lending examination program in 1999. With the exception of FCUs that have more than $10 billion in assets (which are under the authority of the CFPB), the NCUA enforces the Equal Credit Opportunity Act and Regulation B in federal credit unions, and the Home Mortgage Disclosure Act and Regulation C in all federally insured credit unions.\(^1\)

The NCUA also assesses compliance with the Fair Housing Act and reports violations to HUD or DOJ.\(^2\) The NCUA conducts fair lending examinations at and supervision contacts with federal credit unions to assess compliance with fair lending laws using the FFIEC’s Interagency Fair Lending Examination Procedures (August 2009).

Federal Credit Union Selection for Fair Lending Review

OCFP selects federal credit unions for either an on-site fair lending examination or an off-site supervision contact based on a credit union’s risk profile. The number of federal credit unions selected will vary annually, based on available resources.

**Field Recommendations**

Given their direct knowledge of credit union lending practices, policies, and management strengths and weaknesses, field staff are in the best position to identify credit unions that have an elevated fair lending risk.

OCFP requests recommendations from regional offices at least once each year. Regional offices should respond to OCFP’s request with the name and charter number of credit unions that have elevated fair lending risks, as well as a brief description of the basis for the recommendation.

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\(^1\)The Equal Credit Opportunity Act is implemented by Regulation B. The Home Mortgage Disclosure Act is implemented by Regulation C.

\(^2\)The U.S. Department of Housing and Urban Development and the U.S. Department of Justice enforce the Fair Housing Act.
Regional offices can submit high risk cases to OCFP on an ad hoc basis. OCFP will attempt to work high-risk referrals into the current year’s schedule.

OCFP normally schedules fair lending examinations independently of safety and soundness examinations. However, OCFP will attempt to schedule concurrently if the regional office expresses a preference.

**Regional Office Notification**

Upon selecting a credit union for a fair lending examination or off-site supervision contact, OCFP will notify the appropriate regional office and seek its input before contacting the credit union.

In notifications to regional offices, OCFP will:

- Provide a list of federal credit unions selected for a fair lending examination along with a summary of the basis for selection and any preselected focal points that will be reviewed
- Provide a list of federal credit unions selected for an off-site supervision contact along with a summary of the basis for selection
- For each planned fair lending examination, request the date of the next safety and soundness examination, if available, and a point of contact (supervisory examiner or district examiner)
- For each planned fair lending examination or supervision contact, request information on unusual circumstances that OCFP should consider before proceeding

OCFP will consider information provided by regional offices before making a final determination on fair lending examinations, supervision contacts, and dates. OCFP will courtesy copy the appropriate regional office on credit union notification letters.

**Fair Lending Examination and Supervision Contact Follow Up**

When OCFP identifies deficiencies in a fair lending examination or supervision contact, it will provide recommendations for corrective action. OCFP is responsible for addressing findings and assuring compliance with DOR items.

Regional offices, supervisory examiners, and district examiners receive notice of fair lending examination or supervision contact completion and access to the report through the AIRES email notification process.
Field Support of OCFP Examinations and Supervision Contacts

OCFP will request volunteers to assist with fair lending examinations and supervision contacts as needed. Each year, OCFP may recruit volunteers to assist with examinations and supervision contacts annually through a request for volunteers sent to all agency staff made in consultation with the Office of Human Resources.

Last updated October 27, 2016
FISCU Program and Procedures

The SSA is the primary regulator for FISCUs, whereas the NCUA is responsible for managing risk to the share insurance fund. Supervision efforts at FISCUs will vary depending on the size of the credit union, the risk to the share insurance fund, and other circumstances as applicable. Supervision includes, but is not limited to, examinations, follow-up examinations, onsite contacts, offsite contacts, offsite monitoring, and trending analysis. (for example, Call Report/FPR Trending). The NCUA’s FISCU examination program institutes standards for a high quality examination process and establishes guidelines to:

- Empower staff to work collaboratively with each SSA to assess the financial and operational condition of FISCUs
- Identify, prioritize, and mitigate current and emerging risks to the share insurance fund
- Ensure credit unions comply with applicable laws, regulations, and directives
- Initiate appropriate corrective actions supported by a sufficiently detailed administrative record
- Facilitate timely resolution of supervisory concerns

FISCUs sign an Application and Agreement for Insurance and agree to comply with [part 741](#) of the NCUA's regulations when applying for federal share insurance.

If the region has executed an operating agreement with a state, it will be maintained by the region. Operating agreements outline the method and procedures to monitor FISCUs for insurance risk. Regions will document any changes to procedures or any special arrangements made with an individual state in an addendum that the NCUA’s OGC will review.

This section of the NSPM explains how examiners will supervise FISCUs in their districts and identifies the different types of FISCU examination and supervision options available for examiners. The examination and supervision program is the most important component of managing risk to the share insurance fund and protecting members. Refer to the [comparison of examination and supervision programs for federal credit unions and FISCUs](#) for a high-level overview.
Exam Types

NCUA examiners will create a WCC 11 for both joint examinations and independent insurance reviews. All WCC 11 joint examinations and insurance reviews will be based on the scope guidelines noted most recent NCUA Instruction 5000.20, Examination Scope. E&I will review, and update when necessary, the established scope guidelines in conjunction with changes in key risk indicators, economic conditions and regional concerns by January 1 each year.

Last updated July 29, 2015

NCUA Onsite Presence Criteria

Onsite participation (including joint examinations, insurance reviews, and onsite supervision contacts) in FISCUs is necessary to effectively assess conditions that may pose a risk to the share insurance fund. The Regional Director will determine the onsite participation plans for FISCUs as part of the annual resource budget process and in accordance with NCUA’s Examination Scheduling Program. Since SSAs vary in their approach to onsite supervision between full examinations, the degree to which each region can utilize SSA examination and supervision work will also vary.

The NCUA will notify the SSA of all FISCUs selected for onsite contacts. Each regional office will provide the specific criteria and reports used in making these selections to the state to ensure their awareness of which credit unions the NCUA will select for an onsite contact.

Last updated July 29, 2015

Insurance Reviews (WCC 11)

The NCUA examiner is the EIC for all insurance reviews. As such, it is the NCUA’s responsibility to ensure completion of the AIRES examination procedures and work papers.

The scope of an insurance review will focus on concerns with safety and soundness. Examiners will complete the examination scope steps (detailed in the most recent NCUA Instruction 5000.20, Examination Scope), concentrating on areas of risk, including compliance with regulations (NCUA and others) that may represent a risk to the share insurance fund if the credit union failed to comply (see chapter 26 of the Examiner's Guide).
Insurance Review Documentation

At a minimum, documentation of an insurance review will include:

- Completed Scope module
- Indication of compliance or non-compliance with previous DOR, LUA, NWRP/RBP items or agreements relating to safety and soundness
- Completed DOR module in AIRES, if applicable
- Consumer Compliance Violations module in AIRES, if applicable
- Status and management’s acceptance of current DOR
- Completed Confidential Section
- Written narrative report provided to credit union and SSA

Joint Conferences

NCUA examiners must hold a joint conference for all CAMEL 3, 4, and 5 credit unions. If a quorum is not present, examiners will instruct the credit union’s management to note it in the board minutes and provide documentation to the examiner regarding whether management adopted the DOR at a subsequent meeting. NCUA examiners will notify their supervisor of the date and time of the joint conference at least three business days in advance of holding the joint conference. The NCUA supervisor will notify the SSA staff of the date of the joint conference and invite them to participate.

If requested, the NCUA EIC will provide a copy of examination work papers outlining corrective actions and any related handouts to the SSA prior to meeting with credit union officials with the goal of allowing sufficient time for SSA review and feedback prior to the meeting. As a courtesy, the SSA should also have an opportunity to review the finalized complete insurance review report prior to issuance to the credit union. However, issuance of the report is at the NCUA’s discretion.

Joint Examinations (WCC 11)

The state examiner is the EIC for joint examinations unless otherwise agreed to by the SSA. NCUA examiners have the responsibility to ensure WCC 11 exams meet the scope guidelines specified in the most recent NCUA Instruction
5000.20, **Examination Scope**. In the Scope module, the NCUA EIC will note which scope steps the SSA performed. The NCUA EIC will ensure appropriate completion of the scope steps (as they would for any team member). If the work is adequate, the NCUA EIC can accept the work.

If the SSA does not use AIRES and/or the examiner feels the scope will not be adequately completed by the SSA, the NCUA EIC will note this in their scope and document the SSA’s work to the best of their ability (including possibly using the team merge function in AIRES to get the SSA’s exam scope into the NCUA AIRES upload).

The NCUA will make every effort to schedule joint examinations with the SSA in order to streamline the process and facilitate networking and cooperation between the two agencies. If the NCUA and the SSA cannot schedule a joint examination, the NCUA will conduct an insurance review. When a joint exam was not possible, the EIC will note the reason(s), and the efforts made to coordinate a joint examination with the SSA, in the **Confidential Section**.

**Documentation**

For joint examinations, the final examination report will usually be a joint report, which encompasses both NCUA and SSA recommendations. If necessary, the NCUA may issue an independent report. The NCUA will notify the SSA of plans to issue a separate report prior to issuance to the FISCU.

NCUA examiners and SSA examiners can upload a scope workbook for a WCC 11 to AIRES with the same effective date. For joint exams, NCUA examiners should exclude problem codes and violations from the WCC 11 upload via the Data Communications section, Send Exam tab of AIRES. NCUA examiners will review whether the state included the problem codes and violations and add any missing problem codes or violations as part of the **WCC 26 review**.

NCUA examiners must upload their own WCC 11 examination report to document the work performed by the NCUA. The WCC 11 upload also serves to identify any discrepancies between information provided to the SSA for inclusion in the joint report. For WCC 11 Joint Examinations, NCUA examiners need to upload:
- NCUA-developed standard examination documents provided to the SSA such as Examination Overview commentary, DOR document, and Examiner’s Findings
- Sufficient AIRES work papers to support the scope of review and conclusions
- Completed Scope module for areas reviewed
- Indication of compliance or non-compliance with previous DOR, LUA, NWRP/RBP items or agreements relating to safety and soundness
- Completed Confidential Section including:
  - Number and type of attendees of the joint conference and/or exit meeting (for example, five board members, one Supervisory Committee member, SE Smith)
  - Summary of subjects discussed (outside of what can be found in the open section) at the joint conference or exit meeting including agreements reached and acceptance of the DOR
  - Discrepancies between the SSA-issued report and agreed-upon corrective action items, if applicable
  - Follow-up with the SSA addressing any concerns with the SSA report, including discrepancy of corrective action items or lack of emphasis regarding NCUA concerns
  - Explanation of any CAMEL rating differences or other differences during joint insurance reviews and joint examinations of federally insured state-chartered credit unions
  - Any plans for escalation of administrative action
  - Any approvals or concurrences from their supervisor or ARDP concerning conditions or actions taken during the examination (reject audit, no LUA with repeat DOR, issuing a PWL, LUA, EIC rotation exceptions, adjustments in CAMEL ratings, MBL waiver violations not presenting a heightened level of risk, etc.). The examiner will include the reasons for the recommendation, the anticipated date the problems will be resolved, the recommended course of action if the problems are not resolved, and the examiner’s plans for supervision
  - Any other pertinent information about management in order to maintain a full administrative record (for example, management’s and
officials’ ability to resolve issues, knowledge level of credit union operations, not providing an AIRES download)

- Any deviations from budgeted hours, documenting supervisor concurrence

- Any expansion beyond the SCUEP defined-scope procedures, including how and why the scope was expanded, documenting supervisor approval in the *Miscellaneous Exam Considerations* section (if applicable)

- Reason why report not completed or uploaded within required timeframes (if applicable)

- Reasons a joint FISCU exam was not possible, including efforts made to coordinate the joint examination with the SSA, when applicable

**Joint Conferences**

If the SSA plans to hold a joint conference, the NCUA examiner will attend and participate in the meeting. If the SSA does not plan to hold a joint conference, the NCUA examiner must hold a joint conference for all CAMEL 3, 4, and 5 credit unions. In the event a quorum is not present, examiners will instruct the credit union’s management to note it in the board minutes and provide documentation to the examiner regarding whether management adopted the DOR at a subsequent meeting. NCUA examiners will notify their supervisor of the date and time of the joint conference at least three business days in advance of holding the joint conference. The NCUA supervisor will notify the SSA staff of the date of the joint conference and invite them to participate.

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**Examination Planning**

Planning and scoping is an integral component of the risk-focused examination program. An appropriate assessment of risk will result in an effective allocation of resources based on the level and type of risk present in a credit union.

Advance pre-planning is critical for effective examinations. Poor planning before going onsite often leads to unnecessary burden on credit unions and miscommunication between the NCUA and credit union staff. For example, each Items Needed list must be customized to only request items unique and necessary to address the scope and risk profile for each credit union exam.
Examiners must keep a copy of the customized Items Needed list within the AIRES file so it becomes part of the administrative record.

Failing to pre-plan can cause frustration for credit unions that spend significant amounts of time gathering information that an examiner does not review.

When planning for a FISCU exam, examiners will ensure coordination with the SSA and compliance with the NSPM. This includes coordinating with the SSA on the planned scope and coordination between specialists scheduled for the exam (for example, create one Items Needed list), to the maximum extent possible. Examiners should also inquire and discuss any changes since the last exam with the SSA.

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**Pre-Exam Planning Hours and Procedures**

Examiners will use WCC 95, Pre-Exam Planning FISCU, on weekly time reports to capture time spent pre-planning a FISCU examination. These hours are separate from, and in addition to, the budgeted hours for examining a credit union. Examiners will document their pre-planning activities with the Pre-Exam Planning Questionnaire and upload it with the examination.

Pre-exam hours must be recorded for each completed WCC 11 exam. Exceptions to the budgeted time must be approved in writing by a supervisor, in advance.

The Pre-Exam Planning Questionnaire is available in the AIRES Scope module.

Field staff will start the pre-planning exam process by opening an AIRES exam WCC 11 for a credit union and charging the hours to WCC 95, Pre-Exam Planning FISCU, in the TMS. The AIRES Pre-Exam Planning Questionnaire outlines specific procedures.

Field staff will comply with the latest version of NCUA Instruction 13500.09, Security of Sensitive Information.

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Last updated December 30, 2016

Last updated September 13, 2018
Preliminary Risk Assessment

The preliminary risk assessment drives the initial scoping for a risk-based examination. This assessment is documented in the preliminary risk assessment tab of the AIRES Scope module. Field staff will focus on current and emerging risk indicators and evaluate preliminary risks.

AIRES Scope

The scope is the permanent record of procedures performed during an examination or supervision contact. All WCC 11 examination procedures will be guided by the expectations outlined in most recent NCUA Instruction 5000.20, Examination Scope.

Examiners must thoroughly document the areas reviewed, the results, and the recommended action. Comments like "completed" or “inadequate” are not sufficient. Examiners must include a description of the area reviewed and results obtained regardless of whether references to other work papers are included in the AIRES Scope module. Examiners must complete the Plans and Budget tab in the AIRES Scope module.

The Scope module should be a comprehensive synopsis of what occurred during the examination or supervision contact. However, when applicable, the completed IRR workbook represents the scope for the IRR review and for scope module purposes, it is acceptable for examiners to state “Refer to IRR workbook” in the Results of Review section of the scope. Additionally, examiners may use the narrative conclusion for the final risk assessment. The IRR workbook framework includes the necessary scope elements of review steps (either required or baseline), fields to enter the results of each review step, a narrative conclusion (in the overall tab), and the IRR rating (high, moderate, or low).

A comprehensive scope will enable the examiner of the next examination to become familiar with the history of the credit union in a shorter amount of time. (See examples of sufficient scoping detail.) When completing the Scope module and areas of review, all team members with an SME designation will include their designation, in parenthesis, next to their initials in the “Done by” column.

EICs are responsible for the sufficiency of the AIRES Scope module. For team exams/supervision contacts, the EIC should complete the Preliminary Risk
Assessment and Current Area of Review section of the Exam Scope in advance of the rest of the team’s arrival onsite. EICs need to evaluate the appropriateness of the scope and document procedures commensurate with the size and complexity of the credit union throughout the course of the examination or supervision contact. EICs will fully evaluate those areas representing a significant risk or potential risk to the credit union.

Examiners will review these plans and determine whether the plans are reasonable and appropriate for the size and complexity of the credit union. Refer to the “Review Areas” worksheet in Exam.xls in AIRES for additional suggested scope areas. Examiners must adequately explain any changes from the preliminary risk assessment to the final risk assessment to justify the final risk ratings.

NCUA-SSA Joint Scoping

Scoping for FISCU joint exams and contact may vary--examiners will consider the relationship with the SSA. NCUA examiners will hold meeting(s) with the SSA examiner to establish the NCUA’s scope and support resources wprior to or at the start of fieldwork. These meetings may take place by phone or secure email. The examiner responsible for setting up the meeting will depend on the working arrangement with each SSA.

The examiner’s objective of the scoping meeting is to:

- Discuss the issues initiating the contact
- Discuss any new information
- Define operational and financial concerns
- Establish review areas

The NCUA’s role in conducting joint examinations and contacts is limited to significant risk areas and compliance with laws and regulations for which the NCUA has enforcement authority. When a review reveals additional safety and soundness concerns, examiners will expand the scope and review time in consultation with their supervisor.

If agreements cannot be reached regarding the NCUA’s participation, including expansion of the scope, the NCUA examiner will contact their supervisor prior to or during the examination, who will discuss the matter with the SSA office.
Supervisors will request ARDP involvement in the event the supervisor and the SSA office cannot resolve the issue.

When completing the Scope module and areas of review, all team members with an SME designation will include their designation, in parenthesis, next to their initials in the Done by column.

Communication with an SSA

Open communication between the NCUA and the state supervisory authority is critical to ensure a robust and effective management of risk to the share insurance fund posed by FISCUs.

Supervisor Responsibilities

The NCUA supervisor’s interaction with the SSA is a critical link in this relationship. Therefore, the supervisor will be the primary party responsible for maintaining open and effective communication. The supervisor will maintain both formal and informal communication with the SSA. The supervisor will conduct such meetings as necessary to establish and maintain a positive relationship. However, in those states with few state-chartered credit unions or strong FISCU supervision programs, less frequent and/or more informal communication may be sufficient. Regardless of the circumstances, supervisors should meet face-to-face with SSAs at least annually. The meetings will focus on scheduling, supervision, credit union problem resolution, and addressing issues between respective examiners.

In addition to the face-to-face meetings, the supervisor will maintain phone and email contacts with the SSA for complex or problem credit unions (for example, credit unions with more than $250 million in assets, credit unions exhibiting negative trends or insurability concerns, credit unions with a composite CAMEL rating of 4 or 5, and credit unions with a composite CAMEL rating of 3 or below which in the supervisor’s judgment present a material risk to the share insurance fund).

Each December, supervisors will provide the SSA with a list of credit unions the NCUA plans to conduct an examination/supervision contact. The supervisor will state the reason for the NCUA going onsite and may expand or reduce the list throughout the year, as new financial data is available. This will eliminate
unwelcome surprises and enable the SSA to plan for NCUA participation into their schedules.

The NCUA reserves the right to go into any FISCU as frequently as warranted, based on risk to the share insurance fund, and may conduct an independent onsite contact when unable to coordinate a joint contact with the SSA. The NCUA will notify the SSA prior to initiating any such contact and share the report with the SSA prior to submission to the FISCU.

Regional Director and Associate Regional Director Responsibilities

The RD or designated ARDP will meet with the SSA at least once a year. Meetings will focus on the operating agreement, discussing roles, responsibilities, and expectations for the NCUA and the SSA.

Supervision Contacts

The NCUA supervises FISCUs, based on the risk to the share insurance fund, through onsite contacts and offsite monitoring of statistical financial reports, etc. FISCUs presenting an increased insurability risk will receive onsite supervision contacts. The EIC and supervisor, in consultation with the ARDP, will determine the frequency and timing of onsite supervision contacts. Onsite contacts may be appropriate for focused reviews of identified risks, reduced or limited participation in a contact of a FISCU with less than $250 million in assets, or for ongoing supervision of problem credit unions.

The NCUA will make every effort to coordinate joint NCUA/SSA contacts but reserves the right to perform independent onsite contacts. For instance, if the NCUA suspects fraud at a credit union, then an immediate onsite contact will be necessary.

The NCUA may perform independent onsite contacts when necessary due to scheduling issues. The NCUA will offer to provide the SSA a draft copy of solo NCUA contact reports prior to issuance to the FISCU. The SSA may also perform solo onsite supervision contacts. If the SSA issues a report, the NCUA examiner has the option of reviewing the SSA supervision reports and charging offsite supervision time to WCC 28.
The NCUA considers the timing of the next SSA examination when scheduling onsite supervision. However, if a timely joint contact is not possible, the NCUA may need to make an onsite contact independent of the SSA. The NCUA supervisor is responsible for contacting the SSA if onsite supervision is necessary prior to the next scheduled examination. If the NCUA supervisor and SSA cannot reach an agreement regarding necessary action, the supervisor will contact the ARDP who will further discuss the concerns with the SSA and make necessary arrangements either for a joint contact or an independent NCUA contact.

Follow-Up Examinations for a Troubled/Problem FISCU (WCC 23)

Follow-up examinations are more comprehensive than other onsite supervision contacts and require an analysis of data to support the CAMEL ratings and administrative action recommendations.

Follow-Up Examination Timeframes

At a minimum, examiners will perform a follow-up examination, which must include a joint conference with the board of directors, when the credit union is a:

<table>
<thead>
<tr>
<th>Credit Union Description</th>
<th>Follow-Up Exam Requirements</th>
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<tbody>
<tr>
<td>CAMEL 3 &gt; $250 million</td>
<td>NCUA examiners will perform a follow-up examination in conjunction with the SSA at least every 180 days (from completion date to completion date)</td>
</tr>
<tr>
<td>CAMEL 4 or 5 &gt; $250 million</td>
<td>NCUA examiners will perform a follow-up examination in conjunction with the SSA at least every 120 days (from completion date to completion date)</td>
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</table>

In FISCUs that have less than $250 million in assets, the Regional Director has authority to determine the risk priority needs of a follow-up examination and establish an alternate schedule based on regional risk priorities and impact to the share insurance fund.
**Timeframe Exceptions for Follow-Up Examinations**

Examiners will consult their supervisor and request an extension via email if they cannot complete a follow-up examination within the required timeframe. The guidelines for requesting an extension are:

<table>
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<tr>
<th>Credit Union Description</th>
<th>Maximum Extension</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAMEL 3 &gt; $250 million</td>
<td>Completion timeframe may not exceed 240 days based on supervisor approval</td>
<td>Any request for an extension of the 180-day requirement must include information which demonstrates that the credit union will not represent increased risk to the share insurance fund resulting from the extended timeframe. Supervisor must approve all requests for extension and forward approval to the region’s DOS mailbox. The ARDP or ARDO, as appropriate, must approve and document in writing any additional extensions and associated considerations.</td>
</tr>
<tr>
<td>CAMEL 4 or 5 &gt; $250 million</td>
<td>Any request for an extension of the 120-day requirement must include information which demonstrates that the credit union will not represent increased risk to the share insurance fund resulting from the extended timeframe. The ARDP or the ARDO, as appropriate, must approve and document in writing extensions for follow-up examinations.</td>
<td></td>
</tr>
</tbody>
</table>

Any approvals to exceed the timeframes listed above require the supervisor or ARDP, as applicable, to forward their approval via email to DOS with supporting documentation. All time frame extension approvals will include a projected completion date.

The basis for tracking the above timeframes will be the NCUA examination completion date for NCUA onsite participation (joint).

Each region will establish monitoring procedures for FISCU follow-up examinations and timeframe extensions similar to what is required for supervision of
FCUs. The ARDP will review the applicable report(s) and share them with their supervisors to evaluate appropriateness and timeliness of completion contacts to ensure a quality and timely supervision program.

**Follow-Up Examination Documentation**

Examiners will support in the scope, or by other means that can be part of the administrative record, all of the critical problem areas identified during the regular examination. Before uploading an AIRES contact, examiners will indicate on the AIRES Exam Management Console (EMC) whether the supervision contact was a follow-up examination (yes/no button on the Completion Information tab in AIRES). Examiners need to upload a completed Scope module and sufficient AIRES work papers to support the scope of the review and conclusions.

The administrative record for FISCUs also needs to be comparable to FCUs, including maintenance of a Supervision Chronology Report. All follow-up examinations will include a report to the FISCU. The final report may either be a joint report with the SSA or a stand-alone NCUA report. NCUA examiners must upload their own WCC 23 report to document the work performed by the NCUA. The WCC 23 upload also serves to identify any discrepancies between information provided to the SSA for inclusion in the joint report. For WCC 23 follow-up examinations, examiners need to upload:

- AIRES historical download, Exam.xls, and all critical input areas
- Sections in the Scope module that were the subject of the follow-up examination, including pertinent risk ratings
  - Examiners will document their explanations of any change of final risk ratings in the Scope module. For any areas not reviewed in the module, n/a or DNR (did not review) will suffice
- Sufficient AIRES work papers to support the scope of review and the conclusions drawn
- Documentation regarding compliance with any outstanding administrative actions (LUA, PWL, etc.,) in the Status Update
- Documentation regarding compliance with NWRP/RBP in the Status Update
- Documentation of compliance or non-compliance with previous DOR items and updated DOR module
- Written narrative report provided to the credit union (or to the SSA to include in their report if applicable) (for example, Examination Overview, Examiner’s Findings, etc.)

- Completed EMC including all questions and the date of the exit meeting and/or joint conference (a joint conference is required for all CAMEL 3, 4, and 5s, unless the supervisor approves an exception. In the event a quorum is not present, examiners will instruct the credit union’s management to note it in the board minutes and provide documentation to the examiner regarding whether management adopted the DOR at the next board meeting)

- Updated **Supervision Chronology Report** saved in the examination directory for a CAMEL 3 with assets $250 million and greater, and CAMEL 4 or 5

- Consumer Compliance Violations module in AIRES, if applicable

- Completed **Confidential Section** including:
  - Number and type of attendees of the joint conference and/or exit meeting (for example, five board members, one Supervisory Committee member, SE Smith)
  - Summary of subjects discussed (outside of what can be found in the open section) at the joint conference or exit meeting including agreements reached and acceptance of the DOR
  - Discrepancies between the SSA-issued report and agreed-upon corrective action items, if applicable
  - Follow-up with the SSA addressing any concerns with the SSA report, including discrepancy of corrective action items or lack of emphasis regarding NCUA concerns
  - Explanation of any CAMEL rating differences or other differences during joint insurance reviews and joint examinations of federally insured state-chartered credit unions
  - Any plans for escalation of administrative action
  - Any approvals or concurrences from their supervisor or ARDP concerning conditions or actions taken during the examination (such as reject audit, no LUA with repeat DOR, issuing a PWL, LUA, EIC rotation exceptions, adjustments in CAMEL ratings, MBL waiver violations
not presenting a heightened level of risk, etc.). The examiner will include the reasons for the recommendation, the anticipated date the problems will be resolved, the recommended course of action if the problems are not resolved, and the examiner’s plans for supervision

- Any other pertinent information about management in order to maintain a full administrative record (for example, management’s and officials’ ability to resolve issues, knowledge level of credit union operations, not providing an AIRES download)

- Any deviations from budgeted hours, documenting supervisor concurrence

- Reason why report not completed or uploaded within required time-frames (if applicable)

- Reasons a joint FISCU exam was not possible, including efforts made to coordinate the joint examination with the SSA, when applicable

- Any other information necessary to support the scope and time spent on the contact

When the SSA issues the report to the credit union, the NCUA EIC will work with the SSA to ensure the report includes required corrective actions, administrative actions, and provide relevant supporting sections of the report to the officials during the joint conference (for example, DOR, Examiner’s Findings, and other appropriate work papers such as the Supplementary Facts). The NCUA EIC will follow up to ensure the SSA issues the report timely. In the event the SSA does not issue a report as previously agreed or if the report is not timely, the NCUA EIC will notify their supervisor and plan to issue their own report (as discussed in the paragraph below).

When the NCUA issues the report to the credit union, the NCUA EIC will deliver the report as they would an examination report. Examiners must discuss required corrective actions, administrative actions, and provide relevant supporting sections of the report with the officials during the joint conference (for example, DOR, Examiner’s Findings, and other appropriate work papers such as the Supplementary Facts).

Last updated August 30, 2019
Onsite Supervision Contacts (WCC 23)

An onsite supervision contact is more limited in scope than an examination or a follow-up examination. Examiners will typically perform an onsite supervision contact to review targeted risk area(s), to hold a joint conference if it could not be completed as part of the exam, and/or to review the credit union’s compliance with a DOR, etc.

1. Contact Timeframes

Examiners will perform onsite supervision contacts as needed between regular or follow-up examinations based on the nature and severity of the problems or as their supervisor requires. Examiners will need to make each contact a results-oriented contact designed to achieve corrective action. The NCUA EIC or supervisor will coordinate with the SSA as appropriate.

The NCUA EIC, in consultation with their supervisor, will determine whether to accept the SSA’s limited scope onsite contacts to resolve recordkeeping problems in place of an NCUA onsite contact. When review of an SSA report (WCC 26 Review) discloses material recordkeeping problems, the examiner will contact their supervisor and the SSA to determine if an onsite contact is necessary. See the Significant Recordkeeping Concerns section of the NSPM for additional guidance on performing supervision contacts for credit unions that have significant recordkeeping concerns.

Contact Documentation

Examiners document an onsite supervision contact by uploading an AIRES file, charging time to WCC 23. Examiners need to upload a completed Scope module and sufficient AIRES work papers to support the scope of review and conclusions. At a minimum, the AIRES upload must include:

- AIRES historical download, Exam.xls, and all critical input areas
- Sections in the Scope module that were the subject of the contact, including pertinent final risk ratings. Examiners will document their explanations of any change of final risk ratings in the Scope module. For any areas not reviewed in the module, n/a or DNR (did not review) will suffice.
- Written narrative report provided to the credit union if applicable (for example, Examination Overview, Examiner’s Findings, etc.). Use the Confidential Section to document additional information when a report is not provided to the credit union and in place of a supervision contact memo.
Completed EMC

Updated Supervision Chronology Report saved in the examination directory for a CAMEL 3 with assets $250 million and greater, and CAMEL 4 or 5

Any other information necessary to support the scope and time spent on the contact (for example, updated and completed DOR module if focus of contact was to review compliance with DOR items, completed Consumer Compliance Violations module if focus was to review compliance violations)

Examiners will discuss their findings and recommendations during an exit meeting and issue a written report to the officials if the contact results in required action or changes to CAMEL or risk ratings.

Offsite Supervision Contacts (WCC 28)

Offsite supervision of FISCUs may be necessary in a variety of situations. Examiners conduct offsite supervision for discrete supervision or district management activities that are not part of an examination (WCC 11) or onsite supervision contact (WCC 23). Offsite supervision contacts are generally very limited in scope and conducted somewhere other than at the credit union. For example, following up on a DOR through phone or e-mail, reviewing a credit union’s response to a DOR, reviewing monthly board packages, or other correspondence with the credit union.

Offsite supervision of FISCUs may entail review of SSA supervision contacts completed between examinations (we asked the SSAs to supply the regional office copies of reports for any follow-up or supervision contacts. The regional office will send the district examiner a copy of all reports and correspondence received).

Examiners will not change a credit union’s composite CAMEL rating during a WCC 28 unless the WCC 28 is a review of an SSA onsite contact. When a WCC 28 is used to review an SSA onsite contact, examiners should follow the guidelines outlined under WCC 26 Reviews regarding disagreements in CAMEL and notification of troubled condition as outlined in various sections of this section of the NSPM.
1. Documentation for Offsite Contacts Eight Hours or Longer

At least a minimal AIRES upload or a minimal contact is required for all WCC 28 offsite contacts to complete discrete activities (for example, review board packages or credit union’s response to the DOR) if field staff charge eight hours or more. Examiners document an offsite supervision contact of eight hours or more by uploading a “Minimal Contact” report in AIRES and charging time to WCC 28. At a minimum, the “minimal contact” AIRES upload must include a completed EMC that documents the contact scope, progress, conclusions, recommendations, etc. in the “Examiner Comments” section on the Completion Information tab of the EMC. If field staff need more room to document a contact, they will include it in the Executive Summary or Supplementary Facts.

Field staff will need to bypass the minimal upload if MS Word or Excel files are used (minimal contact uploads do not include these file types). Field staff will not use the minimal contact upload if attachments are necessary to document the contact or support the administrative record.

An AIRES upload with a completed Scope module for offsite supervision is only required for a material change in risk ratings. Otherwise, the Scope module is optional.

Field staff will not use offsite supervision (WCC 28) to charge time for substantive work that is completed as part of an examination (WCC 11) or onsite supervision contact (WCC 23), even if the work is completed offsite.

Documentation for Offsite Contacts Less Than Eight Hours

Field staff will aggregate time spent performing offsite supervision in increments less than eight hours for the same credit union and upload to AIRES on a quarterly basis, shortly after the end of the quarter. If the aggregate time charged in a quarter is less than eight hours, an AIRES upload is not required.
- Any CAMEL 4 or 5 credit union with more than $250M in assets
- Any CAMEL 3 credit union with more than $1B in assets
- All cases assigned to the Division of Special Actions
- All troubled institutions in which financial condition is a concern and the credit union represents significant risk to the share insurance fund (as in the case of a large, troubled institution)

Examiners must trend the data using SATEX or an equivalent tool. Examiners will charge this type of offsite supervision to WCC 28 and will upload a Minimal Contact.

Examiners will make every effort to receive monthly financials directly from the credit union. For example, a section of the DOR could request financial and/or board packets be sent on a monthly basis to the respective SSA and NCUA examiner. If the examiner does not receive monthly financials directly from the credit union, their supervisor will on a case-by-case basis:

- Work with the SSA office to determine the method for the NCUA examiner to obtain the monthly financial information needed and means for follow-up on requested reports
- Notify the SSA and/or FISCU when there is a change in district assignment or the monthly financial data is no longer needed
- Determine the format of the examiner’s analysis and reporting requirements

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**Review SSA Examination (WCC 26)**

SSAs upload AIRES examinations in a similar fashion as NCUA examiners. When the NCUA receives an SSA examination report (typically through AIRES) and a corresponding Scope module (except from the non-participating states), examiners will review the SSA report and examination documents as necessary. Examiners will thoroughly review the SSA report to ensure the work conducted and conclusions are accurate.

Examiners should use their discretion in charging time to complete reviews of state examinations. Examiners are provided flexibility from the budgeted time for WCC 26 reviews. Examiners should contact their supervisor if they need additional time for the review process. Supervisors should approve additional
time if a review warrants additional hours. For example, if an examiner notes substantial differences between the agreed upon report and final report issued by the SSA, additional time may be necessary.

Reviews of independent SSA examinations resulting in an NCUA CAMEL composite rating of 4 or worse, and the SSA CAMEL composite rating is better than the NCUA’s CAMEL composite rating, require an onsite supervision contact to more fully evaluate material risks. Examiners must consider the implications of the CAMEL composite rating on a FISCU’s troubled condition designation. Per § 701.14, either the NCUA or the SSA can declare a FISCU in troubled condition; however, the NCUA will not designate a FISCU to be in troubled condition without first making an onsite contact at a FISCU.

For FISCUs newly downgraded to a CAMEL composite 4 or 5 rating, an onsite supervision contact must be completed within 60 calendar days of completing the WCC 26 review to validate the CAMEL rating and trigger the troubled condition designation, unless there is an official or senior executive officer vacancy. If there is an official or senior executive officer vacancy, examiners must start the onsite contact within ten business days of the WCC 26 review. The executive director must approve exceptions to this policy.

A WCC 26 review is not the measure for a troubled condition designation--the subsequent onsite contact is. See more information on notices of troubled condition for FISCUs.

Examiners will review all state examinations, regardless of whether they participated with the SSA or not. The effective date of the review must match the effective date of the AIRES WCC 11 examination.

WCC 26 reviews are not required for supervision contacts performed by the SSA.

**Receipt of SSA Examination**

The first step in completing a review of a state examination is the receipt of the SSA examination. For states using AIRES, examiners receive a confirmation email from SysAIRES notifying them of the examination report upload and they can use the link in the email to download the file. Otherwise, the SSA sends a hard copy of the report to the regional office who will then forward it on to the examiner.
Timeframes

Examiners will upload WCC 26 reviews for FISCUs in their district within 30 calendar days of receipt. Supervisors may approve workload-based extensions up to 45 days. The 30 days will start the day examiners receive a confirmation email from AIRES notifying them of the examination report upload (or if the report is submitted hard copy, the day the regional office provides examiners with the report).

Review of SSA Report

The level of review necessary will differ based on whether the NCUA participated in the examination. When completing a WCC 26 review of an examination the NCUA participated on, examiners will:

- Determine whether the examination identifies and addresses the material issues agreed to during the examination
- Ensure the material issues and corrective actions agreed to during the examination are in the final report (for example, Examination Overview, DOR)
  - If material issues are missing or concerns are not addressed in the final report, examiners will notify their supervisor and document the material issues or concerns the examination report does not adequately cover
- Determine if the CAMEL ratings match what was agreed to during the examination
- Ensure supervision plans for the credit union are adequate
  - If necessary, the examiner will notify the supervisor of any recommended changes to the NCUA’s supervision plans since the examination
- If an NCUA examiner assigns a composite CAMEL rating of 4 or 5 during the WCC 26 review and the NCUA CAMEL rating is worse than the rating the SSA assigned and the NCUA did not participate in the examination, the NCUA examiner will schedule an onsite contact to more fully evaluate material risks. The NSPM outlines the required timeframes for completing the onsite contact.
  - If it was a joint examination, document whether the material issues and agreed-upon concerns are in the final report (for example, Examination
Overview, DOR)

- Determine if risk has been properly identified and addressed by the SSA
- Document any material risk the examination report does not adequately cover
- Recommend whether a joint examination or contact is necessary. If the concerns are significant, examiners may recommend a joint contact rather than wait until the next joint examination
- Document recommended actions or communication to resolve any material risk oversights or inadequate corrective action identified in the SSA report. For example, examiners may draft a Regional Director letter to the SSA if the report failed to identify or properly address material concerns. Examiners will first discuss the concerns with their supervisor, who in turn will discuss with their SSA counterpart. If the issue cannot be resolved at that level, a Regional Director letter may be necessary.

When completing a WCC 26 review of an examination where the NCUA did not participate, examiners will:

- Review the SSA’s and NCUA’s supervision efforts to date
- Determine the appropriateness of the SSA’s scope
- Determine if material risks have been properly identified and addressed by the SSA
- Document any material risks that were not adequately addressed in the examination report
- Assess the appropriateness of the SSA’s supervision plans based on the credit union’s risk profile
- Assign NCUA CAMEL ratings
  - If there are any CAMEL differences, the examiner will communicate, through their supervisor, any adverse differences in the composite rating to the SSA (for example, CAMEL 3, 4 or 5)
  - If an NCUA examiner assigns a composite CAMEL rating of 4 or 5 during the WCC 26 review and the NCUA CAMEL rating is worse than the rating the SSA assigned and the NCUA did not participate in the examination, the NCUA examiner will schedule an onsite contact to
more fully evaluate material risks. The NSPM outlines the required timeframes for completing the onsite contact.

- Determine if there are any material weaknesses that would support additional supervision
- Recommend whether a joint examination or contact is necessary (If the concerns are significant, examiners may recommend a joint contact rather than wait until the next joint examination.)
- Document recommended actions or communication to resolve any material risk oversights or inadequate corrective action identified in the SSA report. For example, examiners may draft a Regional Director letter to the SSA if the report failed to identify or properly address material concerns. Examiners will first discuss the concerns with their supervisor, who in turn will discuss with their SSA counterpart. If the issue cannot be resolved at that level, a Regional Director letter may be necessary.

The review should be an analysis of the operational and financial condition of a credit union, and not a recap of the SSA’s report. Examiners will provide enough information to give a clear picture of this condition.

**AIRES Procedures**

Examiners perform all WCC 26 reviews in AIRES. Examiners will use the EMC and Scope module to document the review. To complete a WCC 26 review, examiners will:

- Review the state’s report
- Enter 26 in the contact type in AIRES
- Complete the **Review of State Examination** questionnaire
  - This requires examiners to answer the eight questions relating to the WCC 26 review. Examiners access the **Review of State Examination** questionnaire via the hyperlink in the upper right hand corner of the **Final Assessment** tab. Examiners must provide comments for any question answered with no for questions two through six.
  - Complete the **Final Assessment** tab in the Scope module, providing the following input for the seven areas of risk:
• Final Risk Assessment
• Reasons for Risk Assessment
• Anticipated Direction of Risk
• Reasons for Anticipated Direction

• Complete the **Plans and Budget** tab in the Scope module
  - Complete this tab to show budget projections for the next examination cycle. Standard budgeted hours anticipated for Call Report review and WCC 26 reviews do not need to be included.

• Record their time and complete the **Completion Information** tab

• Enter problem codes in the DOR module that need to be tracked and not included by the SSA
  - For items in the SSA report that meet the [NCUA’s definition of a DOR](#), NCUA examiners are required to enter the DOR, problem code and corrective action in the DOR module if the SSA did not do so in its AIRES upload (or if the SSA does not use AIRES). SSA DORs that do not meet the NCUA definition may be entered at the examiner’s discretion.

• Create new problem code(s) in the DOR module under **Items Excluded from DOR** if there are problem codes and corrective action items identified during NCUA examiner’s WCC 26 review but not identified in the SSA report.

• Enter both the NCUA and SSA CAMEL ratings on the **CAMEL worksheet** in Exam.xls and enter any comments concerning the CAMEL rating and differences on this tab

• Complete the **Consumer Compliance Violations** module in AIRES, as applicable, for any violations (significant BSA violations) not addressed or reported correctly in the SSA report

• Discuss any plan of action with their supervisor, as applicable. If recommending an onsite examination or contact, the examiner will e-mail the recommendation to the supervisor. The supervisor will respond by e-mail noting agreement or disagreement with the recommendation.

• Perform any necessary follow-up action (for example, verbal communication with the SSA, Regional Director letter), as applicable
- Upload the completed AIRES file

If an NCUA examiner assigns a composite CAMEL rating of 4 or 5 during a WCC 26 review where the NCUA examiner did not participate onsite and the SSA CAMEL rating is better, he or she **must schedule an onsite contact to more fully evaluate material risks** before the FISCU can be considered in troubled condition. Refer to the NSPM for **more information about FISCUs in troubled condition**.

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**Processing Call Reports and Trending for a FISCU (WCC 21)**

Examiners will perform offsite supervision while reviewing the Call Reports, risk reports, FPRs, and other offsite monitoring tools for their district. Examiners will use WCC 21 for FISCU reviews. Refer to the NSPM for **more information on trending**.

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**Request Additional Information from an SSA**

Examiners notify their supervisor when an SSA report is lacking adequate information to determine the risk. Depending on the relationship with the SSA, the supervisor may contact the SSA or may reach an agreement with the SSA for the examiner to contact the SSA office or the SSA EIC directly to gather additional information. If the examiner does not receive the requested information, the examiner will draft an appropriate Regional Director letter and cover memo. The supervisor will also contact the SSA when the reviews or any other information reveals a need for an immediate contact at a specific FISCU.

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**Disclose NCUA CAMEL and Risk Ratings**

Examiners will strive to disclose the NCUA CAMEL simultaneously with disclosure by the SSA, but in no event later than the final meeting with management and officials.
A final meeting is the last on-site meeting with the credit union and the NCUA present. In some cases, this will be the same as the exit meeting or the joint conference.

The NCUA CAMEL and supporting rationale will be documented using the FISCU CAMEL Disclosure form in AIRES. The NCUA EIC will clearly identify the conditions supporting the individual CAMEL component ratings and CAMEL composite rating.

The examiner will use and deliver to the credit union the following AIRES forms (at a minimum) to document the CAMEL disclosure:

- Region X –FISCUCAMELCoverLetter.doc
- Table of Contents
- CAMEL-Disclosure in FISCUs (in Exam.xls)

For CAMEL composite 1 or 2 FISCUs requiring a DSCR, the examiner, in consultation with their SE, may determine that sending the FISCU CAMEL Disclosure form via secured email or post with a teleconference to discuss the contents of the form is appropriate based on the concerns (or lack thereof) noted during the examination. This gives examiners and SEs sufficient time to review the CAMEL and risk ratings as required. The SSA will be invited to participate on the teleconference.

For CAMEL composite 3, 4, or 5 FISCUs, a joint conference is required to deliver the NCUA CAMEL. NCUA examiners may have to schedule a joint conference to disclose the NCUA CAMEL rating that provides time for their SE to perform a DSCR if it cannot be completed prior to the SSA’s joint conference. The SSA will be invited to participate at the NCUA CAMEL disclosure joint conference.

For SSAs that have added an “S” to CAMEL(S) to record the credit union’s interest rate risk sensitivity position, examiners will record the lower (worse) of the “L” or “S” rating in the AIRES CAMEL “L” field unless, in their professional judgment, the rating should be different. For example, if the “L” is rated a code 2 and the “S” is rated code 3, examiners will typically record a code 3 in the “L” field. Examiners will take into account the impact of the credit union’s liquidity and interest rate sensitivity position on the overall health of the institution when assigning the rating.
Joint FISCU Examinations/Contacts

Field Staff Responsibilities

The NCUA EIC will assign component and composite CAMEL ratings during joint contacts based on the work and conclusions reached by both the SSA and NCUA examiners. For WCC 11 and WCC 23 contacts, NCUA examiners will do the following:

- Work cooperatively with the SSA examiner in charge and maintain ongoing communications during the examination, which will include a meeting to discuss differences in CAMEL rating conclusions and attempts to resolve any component or composite differences with the SSA.

- In the event a component or composite rating differs from the respective SSA rating, and the EIC is unable to reach agreement with the SSA, the NCUA EIC will notify their NCUA supervisor and seek concurrence for their CAMEL ratings.
  - Once the NCUA supervisor has concurred with the CAMEL ratings, the examiner will proceed to disclose the NCUA’s CAMEL as outlined above.
  - If the SSA does not disclose a CAMEL rating either onsite, or if done later than the final meeting, the NCUA will still disclose its rating as outlined above.
  - In situations where the NCUA EIC issues a different component or composite CAMEL rating than the SSA, the EIC will document efforts to reach agreement with the SSA on the CAMEL rating in the NCUA Confidential Section.

NCUA Supervisor Responsibilities

The NCUA supervisor is responsible for ensuring the NCUA EIC supports the CAMEL rating and communicates actively with their SSA counterpart(s) to resolve differences. For WCC 11 and WCC 23 contacts, NCUA supervisors will:

- Review supporting information with in-process examinations to provide concurrence for CAMEL ratings assigned to the FISCU when issuing a differing CAMEL rating
Communicate with the SSA in advance to notify the SSA supervisory staff that the NCUA has a differing CAMEL rating when the NCUA and SSA EIC cannot agree on a consistent CAMEL rating

Prioritize performing DSCRs of CAMEL for FISCUs in order to allow for the expeditious disclosure of NCUA CAMEL ratings to FISCUs

**Regional Office Responsibilities**

The regional office is responsible for facilitating open communication with the SSAs and completing quality control over the assigned ratings.

**CAMEL Differences During WCC 26 Reviews**

This procedure applies to WCC 26 reviews where the NCUA examiner did not participate onsite during the examination and has not previously disclosed CAMEL to the FISCU as outlined above. As discussed in the NSPM, NCUA examiners evaluate CAMEL when performing WCC 26 reviews of state examinations. For WCC 26 reviews, the following apply:

- When the examiner performing the WCC 26 review assigns the same rating as the SSA composite rating, no additional action is needed; unless, the composite rating is a 4 or 5. For newly downgraded CAMEL 4 or 5 FISCUs, the NCUA examiner must verify whether the FISCU was given notice of its troubled condition as outlined in the NSPM.

- When the NCUA examiner assigns a different composite rating, but chooses to rate the credit union a composite CAMEL 1 or 2, no further action is needed.

- When the NCUA examiner’s rating differs from the SSA composite rating and a composite CAMEL 3 is assigned by the NCUA, the examiner, in concurrence with their SE, will determine the best course of action to more fully evaluate material risks. This may include obtaining, through the SE, additional examination information from the SSA before completing the WCC 26 contact or scheduling an onsite contact, as appropriate.

- When the NCUA examiner’s rating differs from the SSA composite rating and a composite CAMEL 4 or 5 is assigned by the NCUA, the examiner will schedule an onsite review sufficient to more fully evaluate material risks. The examiner may obtain, through their supervisory examiner, additional examination information from the SSA to more fully evaluate risks before
completing the WCC 26 contact or scheduling an onsite contact, as appropriate.

See the Reviews of SSA Examinations section of the NSPM for timeframes for completing the subsequent onsite contact. A credit union is not considered in troubled condition based on an NCUA CAMEL rating until an onsite contact is performed.

For more information about troubled credit unions, see the Notice of Troubled Credit Union section of the NSPM.

Field Staff Responsibilities

The following process is used for WCC 26 reviews when the examiner assigns a CAMEL composite rating of 3, 4 or 5 which differs from the SSA assigned rating:

- The NCUA examiner will obtain supervisor concurrence for CAMEL differences with the SSA where the NCUA issues a composite CAMEL 3, 4, or 5 rating.
- The NCUA examiner will work through their supervisor to schedule an insurance review or on-site supervision contact within the appropriate period of time, as outlined in the NSPM.
  - The purpose of the requested insurance review or on-site supervision contact will be to evaluate risk and reach conclusions on the appropriate CAMEL rating, as well as agreements for corrective action with credit union management.

NCUA Supervisor Responsibilities

- Supervisors will assist the examiner in obtaining more information on material issues within an examination report as needed.
- Supervisors will follow up with the SSA to ensure insurance reviews or on-site supervision contacts are scheduled within a reasonable timeframe.

Regional Office Responsibilities

- The regional office is responsible for facilitating open communication with the SSAs to discuss differences in CAMEL identified during WCC 26
reviews.

- ARDPs will decide whether NCUA examiners will perform a contact without SSA participation if joint contacts cannot be scheduled within a reasonable period of time. Documented ARDP approval is needed if a joint contact cannot be scheduled within a reasonable timeframe and the NCUA does not perform its own insurance review or on-site supervision contact.

**E&I Responsibilities**

E&I will monitor national and regional trends with respect to differences in CAMEL ratings and summarize the frequency and magnitude of CAMEL differences within regions and selected states no less than annually. The goal for such reviews is to ensure the consistent application of CAMEL, especially in instances when an NCUA CAMEL differs from the SSA CAMEL.

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**Joint Conferences**

Joint examinations of FISCUs with a CAMEL rating of a 3, 4, or 5 will include a joint conference with a majority of the board of directors. NCUA staff will attend these meetings, appropriately addressing all NCUA concerns. Examiners will disclose the NCUA CAMEL ratings (components and composite) to the board both verbally and in writing, as described in NCUA Letter to Credit Unions 11-CU-12, *Disclosing CAMEL Ratings to Federally Insured State Credit Unions (FISCUs)*. Examiners may reformat the CAMEL Evaluation Form available in AIRES, provided that all the information is documented in the alternate format.

The SSA examiner and the NCUA EIC will hold an exit meeting in CAMEL 1 or 2 FISCUs if a joint conference is not necessary or requested. In this situation, examiners will disclose the NCUA CAMEL ratings during the exit meeting. Exit meetings should occur as soon as possible after the completion of fieldwork subject to reasonable accommodation for SSA advance review of draft documents.

The timeframe for scheduling joint conferences and exit meetings should comply with the 75-day guideline for examination completion.

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Issue a Report to a FISCU

Generally, during joint contacts, the SSA issues the final report and uploads the AIRES examination (some state exceptions do exist). The NCUA examiner will also upload an AIRES file. In instances where the NCUA takes the lead, as a courtesy, the SSA should have an opportunity to review the finalized examination report prior to issuance to the credit union. However, issuance of the report is at the NCUA’s discretion. NCUA staff will invite the SSA to the joint conference.

NCUA examiners will provide the SSA EIC with the working papers of their review areas upon completion of the fieldwork. The NCUA EIC will draft sections or work with the SSA to draft sections of the Examination Overview, DOR, or comparable document pertaining to the NCUA’s areas of concern including documentation to support the report’s findings and conclusions. The NCUA EIC will also work with the SSA EIC to include the NCUA comments in the AIRES Scope module for NCUA review areas.

It is important that examiners clearly document the day, time, and version of documents provided to the SSA for inclusion in the final report. This can be accomplished through an email chain.

To ensure the best possible results in resolving any anticipated dispute with the SSA examiner, the NCUA EIC will identify and discuss with the SSA examiner, as early as possible in the examination process, any corrective actions to be required of the FISCU, including respective CAMEL component and composite ratings.

Any disagreements concerning the content of documents will be resolved prior to meeting with FISCU management. If agreement is not possible at the examiner level, NCUA examiners will contact their supervisor who will discuss the matter with the SSA office and ARDP. If agreement is still not possible, examiners will draft an NCUA Concerns section for the SSA to include in the issued report. This should outline the issues and required resolution. Examiners will work to obtain agreement from the SSA to include this section in the final report to management. Should the SSA not include this section, examiners will discuss these concerns with their supervisor, provide documentation in the WCC 26 review regarding the issues, and draft a Regional Director letter to the FISCU stating the NCUA’s concerns and necessary corrective action.
AIRES Uploads

Examiners will upload AIRES contacts for FISCU onsite contacts as they would for FCUs. Examiners will enter the examination completion date on the “Completion Information” tab of the EMC in AIRES. The examination/supervision completion date is the day the examiner last charged time to the examination and is required to be within five business days of the latest of the following dates:

- Date of last onsite
- Date of exit meeting
- Date of joint conference

If the examination completion date exceeds five business days due to items such as conferences, training, annual or sick leave, the examiner will document the circumstance(s) in the Confidential Section noting supervisor concurrence.

Credit Union Enforcement Action

The NCUA will communicate with the SSA on an ongoing basis regarding all PCA actions that involve a FISCU taken under part 702 of the NCUA's regulations.
Consumer Compliance Program

NCUA Instruction 12400.05, *Processing Complaints Against Credit Unions and Documenting Compliance Violations* (Apr. 23, 2004) addresses compliance evaluation in FISCUs. If the SSA is responsible for determining consumer compliance in the FISCU, the SSA’s procedural responsibilities include:

- Completing the consumer compliance checklists during the examination
- If compliance violations are identified in the FISCU
  - Entering violation(s) in the Consumer Compliance Violations module in AIRES (optional)
  - Entering problem code(s) in the DOR module
  - Describing the problem/deficiency and the actions the credit union plans to initiate in order to resolve the situation (preferably using the Supplementary Facts document)
- Continuing to upload the violation(s) in AIRES (or email the examination, including the compliance forms/documents, to the regional office)

If a compliance violation exists, and the SSA did not complete the Consumer Compliance Violations module in AIRES, the NCUA examiner completes it during the WCC 26 review.

If the credit union is unable or unwilling to take corrective action, the NCUA examiner:

- Reviews the situation
- Consults with their supervisor to determine what further action, if any, is needed on the NCUA’s part
- Seeks assistance from OGC if violations are serious (examiner should work through the regional office to seek assistance)
- Notifies their supervisor and the SSA of the determination

*Last updated July 29, 2015*
NCUA Responsibilities Regarding Compliance Regulations

The NCUA has enforcement authority in FISCUs for various regulations as outlined in the Enforcement Authorities section of this manual.
Prompt Corrective Action

Prompt corrective action is designed to restore and improve the net worth of federally-insured credit unions. When a credit union is subject to PCA, the district examiner will monitor compliance to all applicable provisions of PCA contained in Part 702 of the NCUA regulation. This section of the NSPM establishes national policy and guidelines NCUA staff will follow when completing PCA related work assignments and examination/supervision of PCA related issues.

For more information, see NCUA Letter to Credit Unions 01-CU-01, Prompt Corrective Action (PCA) Implementation Information.

Prompt Corrective Action Classification

Field Staff Responsibilities

- Determine the effective date and PCA classification as defined under § 702.101(b) and § 702.102
- Ensure credit unions under your supervision comply with all requirements of part 702

The regional office, at its option, may provide documentation to an examiner to determine the effective date of classification and/or if a credit union is newly chartered, but it is incumbent on the examiner to be familiar with their district information.

Net Worth Category Classification

Examiners need to consider if a credit union meets any applicable risk based requirements for PCA classification.

<table>
<thead>
<tr>
<th>Net Worth Category PCA Classification</th>
<th>New Credit Union</th>
<th>Credit Union NOT Classified as New under PCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well capitalized</td>
<td>7% or higher</td>
<td>7% or higher</td>
</tr>
<tr>
<td>Adequately capitalized</td>
<td>6% to 6.99%</td>
<td>6% to 6.99%</td>
</tr>
</tbody>
</table>
### Net Worth Category PCA Classification

<table>
<thead>
<tr>
<th>New Credit Union</th>
<th>Credit Union NOT Classified as New under PCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undercapitalized</td>
<td>3.5% to 5.99%</td>
</tr>
<tr>
<td>Significantly undercapitalized</td>
<td>2% to 3.49%</td>
</tr>
<tr>
<td>Critically undercapitalized</td>
<td>0% to 1.99%</td>
</tr>
</tbody>
</table>

Additionally, when [NEV Supervisory Test](#) results are extreme and a credit union is unable or unwilling to de-risk to a less than an extreme risk level, regions must follow a process that involves providing a recommendation to the NCUA Board to reclassify a “well capitalized” credit union as “adequately capitalized,” and require an “adequately capitalized” or “undercapitalized” credit union to comply with certain mandatory or discretionary supervisory actions as if it were in the next lower net worth category, based on safety and soundness ([§ 702.102(b)](#)).

For PCA purposes, a “new” credit union is one which has been in operation for less than 10 years and has total assets of not more than $10 million.

### Effective Date of Classification

The effective date of the net worth classification ([§ 702.101(b)](#)) is the most recent of the:

- Last day of the calendar month following the end of the calendar quarter (determined by the Call Report filing and the most typical effective date)
- Date the credit union received subsequent written notice from the NCUA or, if state-chartered, the appropriate SSA, of:
  - a decline in net worth category due to a correction of an error or misstatement in the credit union’s most recent Call Report
  - a reclassification to a lower net worth category on safety and soundness grounds
If you are recommending lowering the credit union’s net worth category to less than well capitalized based on an examination or supervision contact, you must complete the following actions:

- Obtain your supervisor’s concurrence, note the agreement in the Confidential Section of the report, and document the corrected net worth category in the Examination Overview.

- If the examination or the supervision contact reduces net worth to a lower category, and you are not issuing a report to the credit union, prepare a draft letter to formally notify credit union officials of the corrected net worth category and the required PCA action(s). This should be rare. Your findings to lower a credit union’s net worth category would be significant in most circumstances, making an AIRES report to the officials warranted for the administrative record. (See sample Regional Director letters.) Forward the draft letter through your supervisor to the regional DOS mailbox for processing.

Reclassification Based on Correction

The effective date of an examination or supervision contact-based correction to a net worth category varies depending on whether the credit union is federally chartered or state-chartered:

<table>
<thead>
<tr>
<th>Credit Union Description</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal credit union</td>
<td>If the contact involves an AIRES report upload (such as an examination or follow-up examination), the effective date is the date the officials receive the final report. If the contact does not involve an AIRES report upload, the effective date will be the date the credit union receives the notification letter.</td>
</tr>
</tbody>
</table>
| FISCU                    | NCUA examiners should consult and work cooperatively with the appropriate SSA official before correcting a net worth category of a FISCU. NCUA examiners will promptly notify the appropriate SSA of its decision to correct a net worth category. The effective date will depend on whether it was an independent or joint examination:  
  - Effective date of classification for an independent examination completed by the SSA: when the SSA releases its... |
### Credit Union Description

<table>
<thead>
<tr>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>official examination report</td>
</tr>
</tbody>
</table>

- Effective date of classification for a joint examination, where the NCUA EIC is aware the SSA will be providing a timely examination report to the FISCU: when the SSA releases its official examination report.

- For joint examinations in which the SSA may not release its examination report for several months, or in the event of an independent insurance review completed by the NCUA, follow the same procedure used for FCUs (i.e., through a notification letter) but give the SSA an opportunity to review the draft notification letter before it is issued and copy the SSA on the final letter.

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**Earnings and Reserve Transfer Requirements for “Adequately Capitalized” or Lower Federally Insured Credit Unions**

Subpart B of part 702 contains regulatory guidance regarding the earnings retention requirements for adequately capitalized or lower credit unions. Earnings retention waiver filing procedures are discussed in Regulatory Waivers and other Regulatory Actions section of the NSPM.

**Field Staff Responsibilities**

- Review the accuracy and adequacy of the quarterly net worth increases and reserve transfers since the last supervision contact during examinations and follow-up examinations.

- Determine if it is probable that an FICU will need to request an earnings retention waiver for the current or foreseeable quarters during the course of any examination, follow-up examination, or other supervision activity.
  - If a credit union is likely to need to request an earnings retention waiver, you must address this issue in the examination report.
supervision plans must incorporate adequate follow-up to ensure earnings retention waiver requests are filed timely.

- Document the violation in the exam report if you determine that a FICU failed to meet the earnings retention requirements for one or more of the previous quarters during the course of an examination, follow-up examination, or other supervision activity
  - The NCUA can take supervisory or other enforcement action against credit unions that either decrease their earnings retention without permission or persistently fail to file their waiver requests timely. Examiners should instruct management to establish procedures to reduce dividends to achieve the required earnings retention requirements or obtain an earnings waiver from the NCUA before paying dividends.

- Prepare a brief memo outlining your findings and forward it to your supervisor if you identify a federal credit union that failed to meet its earnings retention requirements did not seek a waiver (§ 702.201) through supervision activity outside of an examination or follow-up examination
  - Include a draft letter that notifies the officials of the credit union’s violation for the Regional Director’s signature. The supervisor will e-mail the memo and draft letter to DOS Mail for processing.

- In a joint FISCU exam, examiners should consult with their SE and work with the SSA to ensure the exam addresses the credit union’s failure to meet its earnings retention requirements without a waiver
  - If the problem is recognized through other supervision activity, you will follow the procedures outlined in the NSPM and work with the SE to contact the SSA alerting them of the regulatory violation before the notification letter is sent to the FISCU. The SSA will also be copied on the notification letter.

**Regional Office Review**

DOS will determine the proper level of controls for monitoring earnings retention waivers. Monitoring may occur through reviewing risk reports or the regions may have procedures in place to identify credit unions not meeting the regulation or their approved NWRP (if a NWRP was approved with earnings retention less than regulatory guidelines).

Last updated July 29, 2015
Net Worth Restoration Plans and Revised Business Plans

District examiners are responsible for monitoring compliance with the proper filing and maintenance of a net worth restoration plan under § 702.206 and a revised business plan under § 702.306. Regional Directors have delegated authority in the management of the NWRP and RBP approval process.

Credit unions with a net worth ratio less than six percent are required to have in place an NCUA-approved NWRP or, in the case of new credit unions, an initial business plan or an RBP. Credit unions classified as complex per § 702.103 also need to meet a risk based net worth requirement, and if their RBNW requirement exceeds their net worth ratio they are classified as undercapitalized.

A NWRP/RBP questionnaire is available in AIRES. A sample NWRP/RBP and assumptions workbook is available in the NSPM. NCUA’s Office of Small Credit Union Initiatives is available to assist new credit unions with RBPs, and to assist credit unions that have less than $10 million in assets with NWRPs.

An eligible credit union can request NCUA assistance by contacting the Office of Credit Union Expansion and Resources through email at CURE-mail@ncua.gov.

Processing a Federal Credit Union NWRP/RBP

Division of Supervision Responsibilities

Due to the time sensitivity of NWRP/RBP packages, DOS should perform a cursory review of the incoming package for completeness, making sure all the required information as outlined in § 702.206(c) or § 702.306(b) is included. For substantially incomplete packages, DOS will draft a letter returning the NWRP/RBP and request the missing information.

For substantially complete packages, DOS will prepare:

- A work assignment and send the NWRP/RBP to the examiner and the supervisor with a required response date at least 10 business days before the Regional Director’s response deadline.
A letter to the credit union and provide a date by which the Regional Director will respond consistent with § 702.206 or § 702.306

Field Staff Responsibilities

Upon receipt of a substantially complete package, the examiner will contact the credit union to obtain any missing documentation.

You and your supervisor must analyze the NWRP/RBP and provide a written recommendation in a Regional Summary. You can also reference the optional PCA Checklist to ensure all components of the plan are present and satisfy regulatory requirements.

You must also submit a draft letter that outlines the approval or denial of the NWRP/RBP to DOS Mail through your supervisor. If you recommend denying the plan, the letter must list the specific deficiencies in the plan that warrants denial. The regional office should ensure the delivery method of the letter to the credit union includes a signature. When preparing a Regional Summary where an EDS assisted with the NWRP, examiners will note the EDS assistance in the summary.

Processing a FISCU NWRP/RBP

A FISCU will submit its plan to the Regional Director and the SSA. The processing procedures for federal credit unions apply to FISCUs, in addition to the following steps:

- Supervisors will coordinate all related issues directly with the SSA
- Supervisors will, unless submitted directly to the regional office, obtain documentation of the SSA’s approval or denial
- DOS will courtesy copy the appropriate SSA on all signed correspondence between the Regional Director, DOS, and a FISCU including any Regional Director approval or denial letters

Failure to Submit an NWRP/RBP

DOS will monitor credit unions that fail to submit a NWRP/RBP and contact the supervisor for a status report when the NWRP/RBP is not received by the due date.
When any credit union fails to timely file the NWRP, examiners will draft a Regional Director letter (use the Notify Credit Union of Need to Submit NWRP/RBP template), through their supervisor. The Regional Director letter will give the credit union 15 calendar days from the receipt of the notice to submit the NWRP in accordance with § 702.206(a)(4). The supervisor will submit the letter to DOS Mail within three business days of receipt. FISCUs may require SSA consultation.

Sometimes credit unions may be in the process of or choose to seek a merger. The Regional Director can agree to accept a merger plan in lieu of a NWRP/RBP. However, the Regional Director’s approval should be subject to the credit union filing an acceptable merger plan or NWRP by a reasonable but specific deadline.

If the merging credit union is critically undercapitalized or undercapitalized the deadline should be set to ensure compliance with § 702.204 or § 702.305.

Monitoring NWRPs and RBPs after Approval

Examiners will:

- Monitor each credit union operating with a NWRP or RBP
- Complete a quarterly PCA tracking report for these credit unions until the plan is no longer needed
- Provide their supervisor with the quarterly PCA tracking report

Field supervisors will provide the PCA tracking reports to DOS. Examiners and their supervisor are responsible for monitoring compliance with the NWRP/RBP. Examiners will perform onsite supervision contacts of these credit unions to assess compliance with PCA and overall net worth stability. Examiners should document their compliance review in the Status Update of each examination report.

If a review determines a credit union has materially fallen short of the earnings and net worth ratio goals of the plan, examiners will:

- Instruct the credit union to make adjustments to financial and operational strategies to come into compliance with the NWRP/RBP
Advise, when appropriate, the credit union to develop and submit a revised NWRP/RBP, or

Pursue additional supervisory remedies, such as administrative action.

If the review determines the existing, approved plan is no longer adequate, examiners will send an e-mail (through their supervisor) to their region’s DOS mailbox along with a draft Regional Director letter (use the Notify CU of Need to Revise or Replace NWRP template) instructing the credit union to submit a revised plan.

Documentation will include a comparison of the credit union’s actual performance with its current NWRP/RBP. The quarterly PCA tracking report outlines a credit union’s action plan and quarterly NWRP/RBP targets for net worth ratio, earnings transfer, assets, etc. and can be used to document and track the plan’s performance.

Any findings or concerns relating to the NWRP should also be cited in the examination report as appropriate.

NWRP/RBP that are No Longer Needed

Once a non-new credit union with a NWRP is effectively classified as “adequately capitalized” under PCA and successfully remains so for four consecutive calendar quarters, the credit union is no longer required to operate under a NWRP and the NWRP is no longer in effect.

A new credit union’s RBP remains in effect until they are no longer considered new (i.e., the credit union has been in operation more than ten years or has assets greater than $10 million).

Examiners, with the SE’s concurrence, will review the credit union’s financial and operational condition, confirm the accuracy of the net worth classification, and draft a memo to the Regional Director confirming the NWRP or RBP is no longer in effect.

Your memo will include a draft letter advising the credit union that the NWRP is ending. (Use the Notify Credit Union that NWRP RBP Is No Longer Required template.)

Your memo will include supervision plans, if necessary, for monitoring PCA compliance (earnings retention) until the credit union becomes “well
capitalized.”

- In the case of FISCUs, the supervisor will contact the SSA to discuss the NWRP/RBP ending and ongoing supervision plans. The SSA will receive a courtesy copy of the letter notifying the FISCU the NWRP/RBP is no longer in effect.

- The supervisor will review the recommendation and the draft letter and forward to DOS for processing.

- The regional office will issue the letter to credit unions formally acknowledging the NWRP/RBP is no longer in effect.

Invoking Discretionary Supervisory Actions and Other Corrective Actions for a Critically Undercapitalized Credit Union

Discretionary Supervisory Actions

NCUA Instruction 3501.01, *Discretionary Supervisory Actions (DSAs) under Prompt Corrective Action (PCA)* addresses national policy for processing a DSA.

For DSAs, examiners will submit through their supervisor:

- A [Regional Summary](#)

  - The credit union’s most recent balance sheet and income statement

DOS will review and process the action for Regional Director approval (and NCUA Board approval if necessary).

Other Corrective Actions for Critically Undercapitalized Credit Unions

For critically undercapitalized credit unions, the NCUA may approve other corrective action in lieu of conservatorship or liquidation (§ 702.204(c)). The Regional Director has delegated authority to approve OCA for credit unions with assets less than $5 million. The NCUA Board approval as well as concurrence from the Office of Examination and Insurance is required for credit unions greater than $5 million in assets.
Processing

NCUA Instruction 4820, *Enforcement Manual*, addresses the required contents of OCA packages. For OCA requiring Regional Director approval only, use the Regional Summary of OCA RD Approval template.

Timing of Submission

Timing of these submissions is critical, especially when NCUA Board approval is required. The NCUA has 90 days from the effective date the credit union became critically undercapitalized to approve OCA. The region is responsible for submitting the BAM and obtaining concurrence from E&I and OGC within completion due dates for Board actions.

FISCUs

Joint actions with the SSA are preferred for FISCUs. However, examiners can recommend actions without SSA concurrence, if necessary. You should note the concurrence or non-concurrence of the SSA in the Regional Summary.

Applications for PCA Risk Mitigation Credit

NCUA publication 8507, *Guidelines for Submission of an Application for a PCA Risk Mitigation Credit*, provides detailed information on applications for a PCA Risk Mitigation Credit provided in § 702.108.

NCUA publication 8508, *Guidelines for Evaluation of an Application for a PCA Risk Mitigation Credit*, provides detailed information for NCUA staff on how to evaluate credit union applications for a PCA Risk Mitigation Credit provided under § 702.108 of the NCUA's regulations.

Due to the complex analysis necessary for a Risk Mitigation Credit, regions will need to seek the assistance of the appropriate level of expertise within the NCUA. This includes E&I with experience in processing prior risk mitigation credits, specific program officers, and senior capital market specialists.

Processing Responsibilities

- DOS will review a request for a Risk Mitigation Credit for complete information. If the information submitted is incomplete or inadequate, DOS will request additional information. The Regional Director has 45 days from
the receipt of a complete application to respond to the credit union's request for a Risk Mitigation Credit. DOS will coordinate participation of NCUA staff experts with the region. DOS will forward complete requests to the examiner, through their supervisor, for review, concurrence and a recommendation for approval or denial. Examiners will document sufficient analysis to support the recommended action.

- Examiners will prepare a memo summarizing the application and make a recommendation for approval or denial. The supervisor will review the package and forward it to DOS indicating their concurrence or non-concurrence with the examiner’s recommendation. DOS will then review and process the action for Regional Director approval after determining the examiner has provided sufficient support and documentation for the administrative record.

Monitoring and Controls

Regional Level Reporting

- Regions will monitor credit union compliance with PCA and maintain records of all PCA actions.

- Each region will submit a PCA status report to E&I each quarter by the 25th of the 2nd month following quarter end.¹

- The regional offices are responsible for maintaining the administrative record supporting actions taken.

E&I Level Reporting

E&I will:

- Review regional activity on a quarterly basis as a means of tracking regional and national trends for consistency and policy formation purposes

- Issue a national summary of the quarterly regional reports analyzing national trends

¹Until a centralized database/tool is developed, regions will continue to use reporting systems currently in place.
Periodically request a sampling of actions taken under this section of the NSPM for quality control purposes as part of an ongoing quality assurance process.

Templates

General

- Quarterly PCA Tracking Report
- Regional Summary of DSA Board Approval (E&I format)
- Regional Summary of DSA RD Approval
- Regional Summary of OCA RD Approval

Net Worth Restoration Plans and Revised Business Plans

- Net Worth Category Reclassification Samples
- Sample Pro Forma Financials and Ratios (.xls)
- NWRP/RBP and Assumptions Workbook Sample
- Regional Summary of NWRP/RBP Review
- NWRP/RBP Review Checklist
- Approve NWRP/RBP
- Deny NWRP/RBP
- Notify Credit Union of Need to Revise or Replace NWRP
- Notify Credit Union of Need to Submit NWRP/RBP
- Notify Credit Union that NWRP/RBP Is No Longer Required
## Quarterly PCA Tracking Report

<table>
<thead>
<tr>
<th>Week</th>
<th>Category A</th>
<th>Category B</th>
<th>Category C</th>
<th>Category D</th>
<th>Category E</th>
<th>Category F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>20</td>
<td>15</td>
<td>5</td>
<td>25</td>
<td>10</td>
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<td>2</td>
<td>15</td>
<td>30</td>
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<td>5</td>
<td>45</td>
<td>90</td>
<td>50</td>
<td>45</td>
<td>75</td>
<td>65</td>
</tr>
</tbody>
</table>

Note: The table represents the tracking of different categories over five weeks. The values indicate the progress or status for each category.
Samples: Net Worth Category Reclassification
<table>
<thead>
<tr>
<th>Region</th>
<th>Project Title</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region 1</td>
<td>Project A</td>
<td>In Progress</td>
</tr>
<tr>
<td>Region 2</td>
<td>Project B</td>
<td>Completed</td>
</tr>
<tr>
<td>Region 3</td>
<td>Project C</td>
<td>On Hold</td>
</tr>
<tr>
<td>Region 4</td>
<td>Project D</td>
<td>New</td>
</tr>
<tr>
<td>Region 5</td>
<td>Project E</td>
<td>Under Review</td>
</tr>
<tr>
<td>Region 6</td>
<td>Project F</td>
<td>Deferred</td>
</tr>
<tr>
<td>Region 7</td>
<td>Project G</td>
<td>Initiated</td>
</tr>
<tr>
<td>Region 8</td>
<td>Project H</td>
<td>Ready for Review</td>
</tr>
</tbody>
</table>

Note: The table above is a template for summarizing Regional NWRP/RBP Reviews.
Review Checklist
Net Worth Restoration Plan and Revised Business Plan
Refer to §702.206(c) for NWRP requirements
and §702.306(b) for RBP requirements

<table>
<thead>
<tr>
<th>Item</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>Complete</td>
</tr>
<tr>
<td>Item 2</td>
<td>In Progress</td>
</tr>
<tr>
<td>Item 3</td>
<td>Not Started</td>
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<td>Item 4</td>
<td>Partial</td>
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<td>Item 5</td>
<td>Completed</td>
</tr>
<tr>
<td>Item 6</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Item 7</td>
<td>Delayed</td>
</tr>
</tbody>
</table>

Note: The table is placeholders for actual items and statuses.
Template: Approve NWRP/RBP
Template: Notify Credit Union of Need to Revise or Replace
NWRP
Template: Notification that NWRP/RBP is No Longer Required
Purchase and Assumption of Non-NCUA Insured Institutions

Section 205(b)(1) of the Federal Credit Union Act authorizes an FCU to merge or consolidate with any non-insured institution (including banks) and to assume liability to pay any member accounts in any non-insured credit union or institution. In § 201(b), the Federal Credit Union Act establishes the required insurability of the acquired non-NCUA insured deposit customers.

NCUA regulation § 741.8 requires a FICU to request approval from the RD before purchasing loans or assuming deposits, shares, or liabilities from a non-federally insured credit union or other financial-type institution. FISCUs must also comply with applicable SSA requirements for approval of such a transaction prior to purchase.

Throughout this section of the NSPM, “non-NCUA insured institution” refers to transactions that involve other financial-type institutions as defined in § 741.8 (a)(2). This includes depository institutions, mortgage banks, consumer finance companies, insurance companies, loan brokers, and other loan sellers or liability traders. This section of the NSPM does not apply to purchases, mergers, or combinations that involve non-federally insured credit unions (§ 741.8 (a)(1)). Those transactions are governed by § 741.8 and by regional procedures.

Job aids and templates for non-NCUA insured institution purchase and assumption or merger transactions are available.

NCUA staff will document the agency’s review and assessment of risk associated with these transactions in its administrative record.

Regional Office Responsibilities

Regional office staff should conduct sufficient due diligence of each non-NCUA-insured institution transaction to assess and communicate the risk associated with the transaction. The Onsite/Offsite Review Decision Matrix outlines the due diligence essential for each transaction. The regions must clearly document the reason for conducting an onsite or offsite review in the Bank Purchase and Assumption Merger Regional Summary.

Regional office staff will:
Process FICU applications in accordance with the requirements outlined in this section of the NSPM
- The Division of Supervision Bank Purchase and Assumption Transaction Checklist will assist regional office staff in organizing and processing the application.

Review and acknowledge receipt of a FICU’s application package using the Acknowledgment Letter and Agreement for Insurance Review Reimbursement template.
- List any pertinent information still needed to continue processing the application.
- Attach the Board Certification of Bank Transaction Related Costs form.

Coordinate with other offices or agencies, as applicable, on the anticipated timeframe necessary to process the respective regulatory approvals or denials for the requested transaction
- Banks will file an application with the FDIC in accordance with Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), popularly known as the "Bank Merger Act"), and the FICU will concurrently file a purchase and assumption application with the NCUA; the FDIC will provide an approval or denial on the Bank Merger Act application.
  - For a federally chartered bank, the OCC may provide a non-objection to the transaction.
  - For a state-chartered bank, the state banking agency or Federal Reserve Bank, as applicable, may also approve, deny, or non-object to the transaction.
  - For a FISCU, the respective SSA will also approve or deny the transaction.

Review the application package and use the Onsite/Offsite Review Decision Matrix to determine whether an onsite or offsite review is required
- If the review type is discretionary, obtain the field supervisor’s recommendation for an onsite or offsite review.
Once the review type is determined, send a Bank Purchase and Assumption Field Assignment Memo to the field requesting its evaluation and recommendation to approve or deny the application.

Situations may also exist where the region may choose to defer the application: the region may modify the Acknowledgment Letter and Agreement for Insurance Review Reimbursement to fit these specific situations.

For an FCU, use the CURE Field of Membership Assessment Request to prepare a memo requesting a field of membership assessment to compare the non-NCUA insured institution’s deposit customer base with the credit union’s existing field of membership.

- The memo should explicitly state how the FCU intends to qualify bank customers for membership and detail the verification steps it will take to determine if they qualify.

- Regions must allow CURE 15 calendar days to review and process a field of membership request.

- CURE will also provide general guidance on the field of membership.

- For a FISCU, the respective SSA will determine the membership compatibility of the two institutions. Regional office staff should confirm compatibility with the SSA before processing the transaction.

As applicable, contact OGC to obtain general legal guidance on issues that involve complex ownership structures such as holding company or mutual holding company ownership.

- Coordinate with the FDIC case manager and other bank and/or state agencies to execute an Information Sharing Memorandum of Understanding and send the fully executed MOU to the respective agencies using Memorandum of Understanding Cover Letter – FDIC and/or Memorandum of Understanding Cover Letter – State.

- The OCC is typically not party to the Information Sharing MOU because the OCC has a regulation that stipulates it will share information with other agencies based on need in their official duties (12 CFR 4.37(c)).

- Request the two most recent Reports of Examination from the primary regulatory agencies.
Primary federal regulator or Federal Reserve Bank: use Request Most Recent Exam Reports From Bank Primary Federal Regulator.

FDIC and/or the Primary State Regulator: use Memorandum of Understanding Cover Letter - FDIC or Memorandum of Understanding Cover Letter - State in conjunction with executing the Information Sharing MOU.

In instances where the transaction is a single- or multiple-branch purchase, the primary regulator may not provide the two most recent exam reports to the NCUA. See Field Staff Responsibilities for guidance on how to document a review in this situation.

Consult with other financial institution regulators and obtain their final written approval, denial, objection, or non-objection of the transaction.

Recommend approval or denial of the requested purchase and assumption or merger transaction using the Regional Summary template.

**Process Approval or Denial**

Regional offices must review and process the field’s approval or denial recommendation within 30 calendar days of receipt of the field’s completed due diligence review.

Prepare a concurrence package using Concurrence Package – Table of Contents for RD approval or denial of the transaction or recommendation of approval to other offices as outlined in the NCUA Delegations of Authority.

Obtain necessary concurrences in accordance with the NCUA Delegations of Authority.

Concurrence Package – Table of Contents includes the required documentation for a package that requires E&I concurrence and NCUA Board approval of the purchase and assumption or merger of a non-NCUA insured institution. Regions will:

- Use the E&I Concurrence Memo – Bank Purchase and Assumption template to request E&I concurrence.
- Allow 15 calendar days for E&I to review and concur.
- Provide OGC a courtesy copy of each concurrence request.
• Regions should notify OED for transactions that require NCUA Board approval using OED Request – Memo to OED Regarding Purchase and Assumption and summarize the proposed transaction using the OED Request Regional Director Notification – Board Briefing Summary.

• Regions must follow the Board Secretary-issued instructions and due dates for transactions that require NCUA Board approval. Concurrency Package – Table of Contents outlines the information to include in a request for NCUA Board approval.

• RDs must submit a notice to the NCUA Board describing each transaction intended for approval within the RD’s delegated authority.
  • Regions will use the Notice to the Board - Region’s Approval of Purchase and Assumption Merger and OED Request Regional Director Notification – Board Briefing Summary templates, which outline the required information to include in a notice.

• If approved, draft approval correspondence for RD signature using the Final P & A Approval Letter and Insurance Review Fee Statement template and send to the FICU
  • Send a courtesy copy to EIMail@ncua.gov (E&I Mail) on all approval and denial letters that involve a FICU’s purchase and assumption or merger of a non-NCUA insured institution to facilitate tracking of approvals and denials of transactions.
  • Attach pertinent certification of completion document to the approval correspondence (Certification of Completion Bank Merger\(^1\) or Certification of Completion Bank Purchase and Assumption)

• If denied, draft denial correspondence for RD signature using the Final P&A Denial Letter and Insurance Review Fee Statement template and send to the FICU

• Request, receive, and monitor the FICU’s payment of fees for application processing and any examiner onsite or offsite review time necessary to evaluate the prudence of the transaction
  • Use the Final P & A Approval Letter and Insurance Review Fee Statement or the Final P&A Denial Letter and Insurance Review Fee

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\(^1\)A few state statutes allow for these bank-to-credit union transactions to be processed as mergers and consolidations of assets and liabilities.
Statement to invoice the FICU for the examiners’ time.

- Include a copy of the FICU’s signed Insurance Review Reimbursement form to document the FICU’s prior agreement to pay these fees.

- Obtain completed certification documents and send a completion letter to the FICU using Completion Letter Bank Purchase and Assumption or Completion Letter Bank Merger

- Confirm the purchasing FICU has made final payment to the NCUA OCFO

**Reporting**

- Provide E&I a copy of the Bank Purchase and Assumption/Merger Transaction Log by June 30 and December 31 of each year
  - List all non-NCUA insured P&A and merger transaction applications and their respective disposition (approved, denied, withdrawn).

**Field Staff Responsibilities**

- Review the purchase and assumption or merger application package and work with DOS to determine the level of due diligence (onsite or offsite) necessary to evaluate the safety and soundness of the transaction; determine the staffing resources and expertise necessary to conduct the review
  - Each region should coordinate the staffing and resources needed for the review of these transactions.

- Regions may choose to coordinate the staffing similar to regional team exams.

- Review the FICU and non-NCUA insured institution’s two most recent examination reports for existing safety and soundness concerns
  - In instances where a transaction is a single- or multiple-branch purchase, the primary regulator may not provide the two most recent exam reports to NCUA. When this occurs, the examiner should document what was reviewed to assess the safety and soundness of the transaction and the condition of the acquired assets and liabilities.

- Request items needed from the non-NCUA-insured institution to conduct due diligence over the transaction using the Insurance Review Notification and Items Requested List
- Tailor the items needed to the operations of the non-NCUA insured institution and include any additional items on the items requested list as needed to expand the review to include risks relevant to the individual non-NCUA insured institution.

- Evaluate the FICU’s ability to integrate the purchased institution into its operations, the economic impact to the FICU’s performance, and the continued safety and soundness of the FICU after consolidation.

- Assess FICU management’s competence and ability to manage the combined entity

**Recommend Approval/Denial**

- Draft a [Bank Purchase and Assumption Merger Regional Summary](#) that outlines the field’s review, analysis, and recommendation to approve or deny the transaction.
  - Recommendations for approval must include any conditions necessary to approve the transaction.

- The field will not issue an exam report to a credit union. The field will use the [Regional Summary](#) as the internal document that summarizes the results of the review and supports the recommendation for approval or denial.

- Regional Summaries should include, but are not limited to:
  - Analysis of impermissible activities, loans, deposits, investments, and off-balance-sheet items
  - Discussion of the FICU management's competence and ability to manage the combined entity
  - Chart that reflects the combined entity’s material concentrations
  - Analysis of both regulatory compliance and safety and soundness
  - Analysis of any new products and services the FICU will acquire in the transaction and the FICU’s plans to adequately service the new products or dispose of them
• Discussion of the fair valuation analysis, goodwill, core deposit intangible, purchase price, and method the FICU will use to fund the transaction

• For FCUs, a detailed description how the FCU intends to qualify acquired customers for membership and the verification process used to determine if they qualify for membership

• Provide the Regional Summary, supporting work papers, and Examiner Time Detail to the field supervisor for review and approval or denial
  • The field supervisor will provide the Regional Summary and supporting work papers to the Regional Office.

• Upload an AIRES or close a MERIT file associated with the review of the transaction

**E&I Responsibilities**

• Review the region’s request for concurrence within 15 calendar days of receipt of a complete concurrence package. Evaluate whether the transaction poses undue risk to the Share Insurance Fund

• Provide the region with the E&I Director’s concurrence or non-concurrence using [E&I Concurrence Non-concurrence Memo](#) for the transaction
  • Include [Division of Risk Management Review Comments](#).

• Track non-NCUA-insured institution transactions and analyze trends

• Provide PRA and FOIA information when requested by OGC

• Provide periodic purchase premium information to the regions

• Review and aggregate regional approval and denial information bi-annually

**OGC Responsibilities**

• Review proposed transactions upon request by an RD

• Assist regions, NCUA offices, and the NCUA Board regarding proposed transactions
CURE Responsibilities

- Review the region’s request for a Field of Membership Assessment of the FCU and the non-NCUA insured institution within 15 calendar days of receipt of the request

- Review the process by which the non-NCUA insured institution’s customers will become FCU members to comply with the Federal Credit Union Bylaws and other regulations

- Provide guidance to both the region and the purchasing FCU regarding actions necessary to comply with applicable regulations
### Division of Supervision

#### Bank P&A Transaction Checklist

<table>
<thead>
<tr>
<th>Processing Step</th>
<th>FCU</th>
<th>SCU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review the P&amp;A package, confirm there is enough information to process the transaction, and send the Acknowledgement Letter and Agreement for Insurance Review. Include any additional items necessary to process the application in the acknowledgement letter.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine whether the transaction requires a mandatory onsite or <em>de minimis</em>(^1) offsite review.</td>
<td></td>
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</tr>
<tr>
<td>If the review does not require a mandatory onsite review and does not meet the <em>de minimis</em> threshold(^2) for an offsite review, send an e-mail to the SE for their recommendation on the review type (onsite/offsite) with required response date. Request designation of DE to review the transaction.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assess field of membership compatibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• FCU – CURE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• SCU – SSA Authority</td>
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<td></td>
</tr>
<tr>
<td>Contact FDIC case manager, state or federal banking agency, and state supervisory authority, as applicable, to coordinate the execution of an Information Sharing Memorandum of Understanding.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Email a preliminary MOU for edit by all agencies.</td>
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<tr>
<td>• Incorporate edits. Submit significant edits to OGC for approval.</td>
<td></td>
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<tr>
<td>• Execute the final MOU for signatures.</td>
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</tbody>
</table>

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1 *De minimis* refers to the minimum threshold the NCUA set for transactions that present minimal risk to the credit union. This *de minimis* threshold is set at bank assets less than 25 percent of the credit union’s pre-purchase net worth dollars.

2 Transactions meeting the *de minimis* threshold of bank assets less than 25 percent of the credit union’s pre-purchase net worth dollars do not warrant an extensive review of the transaction and qualify for an offsite review.
# Template: Division of Supervision Bank Purchase and Assumption Transaction Checklist

<table>
<thead>
<tr>
<th>Processing Step</th>
<th>FCU</th>
<th>SCU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Download and/or obtain the:</td>
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<tr>
<td>- Last two credit union exam reports</td>
<td></td>
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<tr>
<td>- MIS CU Information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Financial Performance Reports</td>
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</tr>
<tr>
<td>Request bank reports of examination for the past two exam cycles. Also obtain permission from the respective agency to conduct an onsite/offsite review of the bank.</td>
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<tr>
<td>- State chartered nonmember bank – FDIC and State Banking Agency</td>
<td></td>
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</tr>
<tr>
<td>- State chartered member bank – Federal Reserve Bank and State Banking Agency</td>
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<tr>
<td>- Federal chartered bank – Office of the Comptroller of Currency</td>
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<tr>
<td>Based on the decision for mandatory/discretionary onsite/offsite review, send the application package, reports of examination, and financials to the SE/DE for review and recommendation on the approval/denial of the application.</td>
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<tr>
<td>Obtain approval/denial recommendation from the SE/DE in the Regional Summary and review supporting workpapers to create the decision package.</td>
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<tr>
<td>Obtain regulatory approvals from other applicable agencies to include in the concurrence package.</td>
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<tr>
<td>Review the SE/DE’s regional summary, supporting workpapers, and recommendation for approval/denial.</td>
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<tr>
<td>Create a decision package/concurrence package to support the recommended approval/denial. This is necessary for all levels of delegated authority.</td>
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</tbody>
</table>
## Template: Division of Supervision Bank Purchase and Assumption Transaction Checklist

<table>
<thead>
<tr>
<th>Processing Step</th>
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<th>SCU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft approval/denial letter. Complete the Insurance Review Fee Statement based on the examiners time charged to the review.</td>
<td></td>
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</tr>
<tr>
<td>Submit concurrence package and draft approval/denial letter for regional management concurrence.</td>
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<tr>
<td>If the SUP 24 delegated authority is beyond regional director authority, submit package to E&amp;I for concurrence/non-concurrence.</td>
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</tr>
<tr>
<td>For transactions requiring NCUA Board approval, organize timing based on NCUA Board Secretary instructions and deadlines for submitting a request to the NCUA Board (B1 and BAM).</td>
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<tr>
<td>For NCUA Board approval:</td>
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<tr>
<td>• Provide OED written notice of the pending transaction requesting concurrence to proceed with submitting request to the NCUA Board.</td>
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<tr>
<td>• Include cover letter and briefing document summarizing the transaction.</td>
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<tr>
<td>o If OED concurs, submit B1 and BAM packages in accordance with NCUA Board Secretary guidelines.</td>
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<td></td>
</tr>
<tr>
<td>Upon concurrence/approval/denial, send the final P&amp;A approval/denial letter and bill the credit union for the exam time using the Insurance Review Fee Statement.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Include a copy of the credit union’s previously signed Agreement for Insurance Review Reimbursement to show the credit union’s original agreement to pay these charges.</td>
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<td></td>
</tr>
<tr>
<td>• Periodically verify and confirm with OCFO that payment is received.</td>
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</tbody>
</table>
## Onsite/Offsite Review Decision Matrix

### Required Onsite (Any of the Following Situations)

- Transactions requiring the NCUA Board approval
- Transactions where projected net worth falls to eight percent or lower
- Transactions where bank assets acquired are 50 percent or more of credit union’s pre-purchase assets

### Documented Onsite/Offsite Decision

- Judgmental determination

### Offsite May Be Sufficient (Any of the Following Situations)

- Transactions where bank assets acquired total less than 25 percent of credit union’s pre-purchase net worth dollars AND do not exceed the Board approval threshold requirement
- Deposit or building purchase less than Board approval threshold
- Combined net worth ratio is unchanged or changes by less than 15 percent

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1 Regions will make a judgmental determination using the quantitative and qualitative factors present when reviewing transactions that don’t meet the “required onsite” or “offsite may be sufficient” review thresholds. The regions must clearly document and support their review determination in the Regional Summary.

2 Transactions meeting the de minimis threshold of bank assets less than 25 percent of the credit union’s pre-purchase net worth dollars do not warrant an extensive review of the transaction and qualify for an offsite review.
Template: Bank Purchase and Assumption
Acknowledgment Letter and Agreement for Insurance Review Reimbursement
Template: Bank Purchase and Assumption
Acknowledgment Letter and Agreement for Insurance Review Reimbursement
Template: Bank Purchase and Assumption
Acknowledgment Letter and Agreement for Insurance Review Reimbursement

<table>
<thead>
<tr>
<th>Entity 1</th>
<th>Entity 2</th>
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</thead>
<tbody>
<tr>
<td>Entity 3</td>
<td>Entity 4</td>
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<tr>
<td>Entity 5</td>
<td>Entity 6</td>
</tr>
<tr>
<td>Entity 7</td>
<td>Entity 8</td>
</tr>
</tbody>
</table>

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Board Certification of Bank Transaction Related Costs

We, the undersigned officials of [acquiring credit union], certify to the National Credit Union Administration (NCUA) as follows:

1. The information provided to the NCUA in the acquisition application of [bank name] includes a complete, true and accurate statement about all financial arrangements, if any, related to the purchase and assumption/merger of the bank.

2. We acknowledge we have approved all related costs associated with this transaction, to include but not limited to, purchase price/deposit premium, retention bonuses, and directed payments.

This certification is signed ________, 20xx.

_________________________________  __________________________
Board Chairperson                      Date

_________________________________  __________________________
Vice Chairperson                        Date

_________________________________  __________________________
Treasurer                               Date

_________________________________  __________________________
Secretary                               Date

_________________________________  __________________________
Board Member                            Date
[Insert Credit Union’s Name] has informed NCUA of its intent to pursue the purchase and assumption of [Insert Bank’s Name]. We are requesting a field of membership (FOM) analysis for this bank purchase. We ask that you assess the credit union’s current FOM to determine the potential for adding the bank’s customer base to the credit union’s FOM, either through the existing FOM or through a potential FOM change/expansion.

Our understanding of the bank’s current customer base includes: (Provide any relevant information regarding the bank’s customer demographics and the bank’s operating area - i.e. community bank, regional bank, etc.)

If you have any questions, please contact Supervision Analyst [Insert Name] at [Insert Telephone Number (XXX) XXX-XXXX].

Attachments

cc: DOS Director
DOS Analyst
Enclosed is the fully executed Memorandum of Understanding (MOU) between the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the [Insert State Regulatory Agency] for the [Insert Bank Name] merger/purchase and assumption into/by [Insert Credit Union Name].

In accordance with Title II of the Federal Credit Union Act, the NCUA will conduct an insurance review of [Insert Bank’s Acronym]’s assets and liabilities to assess the risk the NCUA is assuming as the insurer of deposits. The review is currently scheduled for [Insert Dates].

[The NCUA requests your authorization to conduct this onsite due diligence review of [Insert Bank’s Acronym]. We invite your staff to be in attendance during this onsite review.]

[The NCUA requests your authorization to conduct an offsite review of [Insert Bank’s Acronym] records.]

Please also accept this letter as our formal request for the [Insert Bank Name] exam reports issued by the FDIC during the two most recent examination cycles.

Please contact Supervision Analyst [Insert Supervision Analyst Name] at [Insert Email Address] if you have any questions.

Sincerely,

[Insert Regional Director]
Regional Director

cc: Case Manager
   SE
   EX
Enclosure:
Information Sharing Memorandum of Understanding
Memorandum of Understanding - State

[Insert Date]

SENT BY FEDERAL EXPRESS

[Insert State Regulator Commissioner]
Commissioner
[Insert State Regulator Name]
[Insert Address]
[Insert City, State Zip Code]

Dear [Insert Salutation]:

Enclosed is the fully executed Memorandum of Understanding (MOU) between the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the [Insert State Regulatory Agency] for the [Insert Bank Name] merger/purchase and assumption into/by [Insert Credit Union Name].

In accordance with Title II of the Federal Credit Union Act, the NCUA will conduct an insurance review of [Insert Bank’s Acronym]'s assets and liabilities to assess the risk the NCUA is assuming as the insurer of deposits. The review is currently scheduled for [Insert Dates].

[The NCUA requests your authorization to conduct this onsite due diligence review of [Insert Bank’s Acronym]. We invite your staff to be in attendance during this onsite review.]

[The NCUA requests your authorization to conduct an offsite review of [Insert Bank’s Acronym] records.]

Please also accept this letter as our formal request for the [Insert Bank Name] exam reports issued by the [Insert State Regulatory Agency] during the two most recent examination cycles.

Please contact Supervision Analyst [Insert Supervision Analyst Name] at [Insert Email Address] if you have any questions.

Sincerely,

[Insert Regional Director]
Regional Director

Enclosure

cc: Case Manager
    ARDP
    SE
    EX
Template: Memorandum of Understanding Cover Letter - State

Enclosure:
Information Sharing Memorandum of Understanding
Template: Information Sharing Memorandum of Understanding

Memorandum of Understanding between the Federal Deposit Insurance Corporation, [Insert State] Department Of Financial Institutions, and the National Credit Union Administration

WHEREAS, [Insert Credit Union], [Insert City, State] ("the Credit Union"), a [Insert Charter Type] credit union, has sought regulatory approval to purchase assets and assume liabilities located in [Insert State], of [Insert Bank], of [Insert City, State], ("the Bank"), a [Insert Charter Type] bank (the Proposed Purchase and Assumption);

WHEREAS, the National Credit Union Administration ("NCUA") and the [Insert State Regulator name] are responsible for the supervision and examination of the Credit Union;

WHEREAS, the [Insert Primary Regulator and ("Acronym"')] is responsible for the supervision and examination of the Bank;

WHEREAS, the Federal Deposit Insurance Corporation ("FDIC") provides insurance for the deposits of the Bank;

WHEREAS, the NCUA, in granting or withholding approval of the Proposed Purchase and Assumption, must consider the economic viability of the transaction, among other factors (12 U.S.C. § 1785(c));

WHEREAS, the NCUA, the [Insert Acronym], and the FDIC have determined that, subject to the appropriate assurances of confidentiality, information sharing between the agencies for purposes related to the Proposed Purchase and Assumption, including a joint visitation of the Bank, would facilitate the performance of their respective supervisory responsibilities, under the terms and conditions set forth below;

WHEREAS, the FDIC, does not object to NCUA's visitation of the Bank;

NOW THEREFORE, the FDIC, the [Insert Acronym] and the NCUA (each, a "party" and together, "the parties") hereby agree as follows:

I. Scope
   This Memorandum of Understanding ("MOU") is only applicable to the parties' responsibilities relative to the Proposed Purchase and Assumption.

II. Information Sharing
   The parties agree to share, at the discretion of each, and to the extent reasonable and consistent with law, confidential information (as defined below) relevant to the supervision and oversight of the Bank or the Credit Union.

   Any such disclosures by the FDIC shall be made pursuant to and consistent with
applicable law, policies, and procedures of the FDIC, including, in the case of the FDIC, 12 C.F.R Part 309.

Any such disclosures by NCUA shall be made pursuant to and consistent with applicable law, policies, and procedures of the NCUA, including the authority set forth at 12 C.F.R. Part 792, with respect to the NCUA.

Each party will treat all Confidential Information (as defined herein below) obtained from the other and from the Bank or the Credit Union as provided in this MOU.

III. Permissible Uses and Confidentiality of Nonpublic Information

A. Confidential Information

Confidential Information means information not generally available to the public, including nonpublic supervisory information and personally identifiable information related to any individual. Such nonpublic information may include the following: (a) information about the Bank or the Credit Union or their respective business, including financial data and reports, plans and policy statements, and business strategy and objectives, as well as names, addresses, loan files, and other information about customers, regardless of the manner in which any such information is furnished; (b) the existence, subject matter, and content of this MOU, as well as the circumstances under or for which it was made; (c) supervisory information, including reports of examination, memoranda of understanding, visitation reports, or internal documents; and (d) all information, documents, data, or other materials derived from any of the foregoing.

B. Treatment of Confidential Information

1. Confidential Information as defined above will be accorded confidential treatment as provided herein and no other request for confidential treatment shall be necessary as to such documents. Each party agrees to maintain the confidentiality of Confidential Information provided by another party, the Bank, or the Credit Union.

2. Each party agrees to establish and maintain such safeguards as are necessary and appropriate to protect the confidentiality of the Confidential Information provided pursuant to this MOU as well as any information derived therefrom.

3. To the extent that the Confidential Information is personally identifiable information or is information subject to the Privacy Act of 1974, 5 USC § 552a, each party shall ensure that the nonpublic information is also protected as required by the Privacy Act and applicable information security standards.
4. No party shall disseminate Confidential Information obtained under this MOU outside its agency, except as required by law, subpoena, or similar legal process, and will restrict access to Confidential Information, to those employees at the agency who have a need for such Confidential Information that is consistent with, and directly related to, the purpose for which the Confidential Information is requested. Each party agrees to inform its employees who are provided access to such Confidential Information of their responsibilities under this MOU.

5. Each party agrees to notify the relevant other party of any Freedom of Information Act ("FOIA"), or state law equivalent, request it receives for confidential supervisory information of the other party, and each party agrees to refer such request for such confidential supervisory information to the relevant other party for a direct response to the FOIA requestor.

6. Unless prohibited by law, each party to this MOU agrees to promptly notify the other parties to this MOU of any legally enforceable demand from a third party for Confidential Information, testimony related thereto, or the service of a subpoena, order, or other investigation or process requiring production of any Confidential Information, testimony related thereto, that was obtained by a party under the terms of this MOU, prior to complying with the demand. Each party to this MOU will:

   • immediately notify the party with supervisory responsibility for the Confidential Information and provide to it copies of such subpoena, order, or other process, including all attachments;
   • afford the party with supervisory responsibility for the Confidential Information the opportunity to take whatever action it deems appropriate to preserve, protect, or maintain the confidentiality of the Confidential Information or any privileges associated therewith;
   • cooperate fully with the party with supervisory responsibility for the Confidential Information to preserve, protect, and maintain the confidentiality of the Confidential Information and any privileges associated therewith;
   • resist production of Confidential Information and testimony related thereto, pending consultation with the party with supervisory responsibility for the Confidential Information and written consent of such
party, when appropriate; and

- consent to application by the party with supervisory responsibility for the Confidential Information to intervene in any action in order to preserve, protect, or maintain the confidentiality of the Confidential Information or any privileges associated therewith.

7. Nothing in this MOU shall prevent any party from complying with a legally valid and enforceable order of a court or adjudicatory body of competent jurisdiction that compels production of Confidential Information, provided that the compelled party:

- reasonably determines that efforts to quash, appeal, or resist compliance with the order would be unsuccessful;
- attempts, to the extent practicable, to secure a protective order providing for the preservation, protection, and maintenance of the confidentiality of such information and any related privileges; and
- immediately notifies the party with supervisory responsibility for the Confidential Information of its intent to comply with the order and of any actions taken in compliance with the order.

8. In complying with a request received from either House of Congress, or, to the extent of matter within its jurisdiction, any committee or subcommittee thereof, any joint committee of Congress or subcommittee of any such joint committee, each party will:

- advise the legislative body that the information to be produced belongs to the party with supervisory responsibility for the Confidential Information; and
- use its best efforts to obtain the commitment or agreement of the legislative body that it will maintain the confidentiality of the information.

Each party will advise the other of such a request as promptly as is reasonably possible before complying with the request.

9. Notwithstanding that Confidential Information may be disclosed pursuant to a request under paragraphs 4 - 8 of this section III, such information remains confidential and must be treated as Confidential Information in all other instances.

IV. Privileges
The parties intend that the sharing of Confidential Information under this MOU shall in no way waive or otherwise compromise any applicable privilege, including examination privilege. All Confidential Information shared by the FDIC pursuant to this Agreement shall be deemed shared pursuant to 12 C.F.R. Part 309 and 12 U.S.C. § 182l(t). All Confidential Information shared with or by the NCUA pursuant to this Agreement shall be deemed shared pursuant to 12 C.F.R. Part 792 and 12 U.S.C. §§ 1785(j) and 1821(t).

V. Other Matters
A. This MOU is not intended to alter, amend, or rescind any provisions of federal or state law now in effect, including but not limited to FOIA and the Right to Financial Privacy Act.
B. Any provision of this MOU that conflicts with federal or state law will be null and void. Such determination of conflict shall not affect the validity or enforceability of any other part of provision of this MOU.
C. Nothing in this MOU shall be construed to impair or affect any party's authority to supervise those financial institutions for which it is the responsible regulatory authority, including conducting on-site compliance reviews.
D. This MOU is not intended to alter, waive, or compromise the discretion of the providing party to determine the information that it will share under this MOU; provided that information subject to this MOU will not be unreasonably withheld.
E. The parties agree to provide materials in such format as is mutually agreeable, either in printed or electronic form or though meetings and oral communications.

VI. Designation of Key Persons
In order to facilitate this MOU, the parties agree to designate key persons for the management of the MOU process and for the management of Confidential Information. The key persons will be identified as of the date of this MOU and any changes to key persons thereafter will be agreed to between the parties.

COUNTERPARTY PARAGRAPH

VII. Effective Date
The effective date of this MOU is the date of the latest signature date on this document.

VIII. Amendment and Termination
This MOU may be amended, modified, or supplemented by the mutual written consent of the parties hereto. This MOU may be cancelled by any of the parties upon 60 days written notice.
Template: Information Sharing Memorandum of Understanding

Agreed to:

[Insert Name]
Regional Director
[Insert Region] Region
Division of Risk Management Supervision
Federal Deposit Insurance Corporation

Date

[Insert Name]
[Insert Position]
[Insert Division]
[Insert State] Department of Financial Institutions

Date

[Insert Name]
Regional Director
[Insert Region] Region
National Credit Union Administration

Date
Template: Request Most Recent Exam Reports from Bank Primary Federal Regulator

[Date]

SENT BY FEDERAL EXPRESS

[Insert Addressee's Name]
[Insert Addressee's Title]
[Insert Credit Union's Name]
[Insert CU's Street Address]
[Insert City], [State Abbrev] [Zip]

Dear [Insert Mr. or Ms. and Last Name]:

The National Credit Union Administration (NCUA) is currently evaluating a proposal by [Insert Credit Union’s Name and (Acronym)] of [Insert City, State] to acquire certain assets and deposits of [Insert Bank Name], a [federal/state] chartered [bank/company] located in [Insert Bank’s City, State]. The NCUA is the federal insurer for [Insert Credit Union’s Acronym]. [Insert Credit Union’s Acronym] is a [federal/state] chartered credit union whose primary regulator is the [Insert Credit Union’s Primary Regulator].

In accordance with Title II of the Federal Credit Union Act, the NCUA will conduct an insurance review of [Insert Bank’s Acronym]’s assets and liabilities to assess the risk the NCUA is assuming as the insurer of deposits. The review is currently scheduled for [Insert Dates].

[The NCUA requests your authorization to conduct an onsite due diligence review of [Insert Bank’s Acronym]. We invite your staff to be in attendance during this onsite review.]

[The NCUA requests your authorization to conduct an offsite review of [Insert Bank’s Acronym] records.]

The NCUA also requests a copy of the examination reports for [Insert Bank’s Acronym] issued by the [Insert Bank’s Primary Regulator] during the two most recent examination cycles as well as permission for the NCUA staff to discuss the report and other subjects related to [Insert Bank’s Acronym]’s condition with [Insert Bank’s Primary Regulator] staff. If OCC is the bank’s regulator include: Our request for this non-public OCC information is necessary for the performance of our official duties in accordance with 12 C.F.R. §4.37(c).

Additionally, we understand that [Insert other Regulator Involved in the Transaction] may also submit a request for a copy of [Insert Bank’s Acronym]’s examination reports. Subject to your providing them a copy of the report, we also request permission to discuss matters concerning [Insert Bank’s Acronym]’s condition with staff from the [Insert other Regulator Involved in the Transaction] and Federal Deposit Insurance Corporation (FDIC). No confidential information will be shared outside of the NCUA other than discussions with [Insert other Regulator Involved in the Transaction] and the FDIC staff.
[Insert Addressee Name]
[Insert Date]
Page 2

If you have any questions about this request, please contact Supervision Analyst [Insert Analyst Name] at [Insert Analyst Contact Number and Email].

Sincerely,

[Insert Regional Director’s Name]
Regional Director

cc: ARDP
    SE
    DE
    SSA (if applicable)
We are forwarding a request for approval from [Insert Credit Union’s Name] ([Credit Union Acronym]) for a Purchase and Assumption of [Insert Bank Name and City, State]. Please review the package and provide the Division of Supervision with a Regional Summary documenting your review within two weeks following the completion of your review. Document your review in AIRES/MERIT as a supervision contact.

Please review the credit union’s request pursuant to Section 205(b)(1) of the Federal Credit Union Act and Section 741.8 of the NCUA Rules and Regulations. Your analysis of [Insert Credit Union’s Acronym]’s request should consider:

- The history, financial condition, and management policies of the credit union;
- The adequacy of the credit union’s reserves;
- The economic advisability of the transaction;
- The general character and fitness of the credit union’s management;
- The convenience and needs of the members to be served by the credit union; and
- Whether the credit union is a cooperative association organized for the purpose of creating a source of credit for provident and productive purposes.

Within your analysis, please evaluate the request and its impact on the credit union’s financial condition, earnings, net worth, and whether current management can adequately manage the additional loans, shares, and increase in membership of this size and complexity. Other considerations include [Insert Credit Union’s Acronym]’s due diligence over analyzing the purchase with regard to:

- Buying commercial real estate and other business loans that may be nonconforming or in excess of the legal lending limits;
• The permissibility of the loans, investments, and other assets under state law, NCUA Regulations, and their policies;
• The permissibility of the proposed new share accounts under NCUA Regulations;
• Management’s ability to analyze and track risks in their current and proposed loan portfolio;
• The geographic area and relative risk of the borrowers added to the field of membership; and
• The cost of de-conversion and importing information into the credit union’s database.

Attached is the [Insert Bank’s Primary Regulator]’s approval to conduct an onsite/offsite visit at the bank [or Insert Comments Regarding Pending Approvals from Other Regulators].

By [Insert Due Date Listed Above], please provide your regional summary and supporting documents to [Insert DOS Email Address] and copy Supervision Analyst [Insert Analyst First and Last Name]. Your Regional Summary should outline the results of your review, any regulatory and/or safety and soundness concerns identified, and your recommendation on whether to approve the transaction.

Please contact Supervision Analyst [Insert Analyst Name] at [Insert Analyst Contact Number] if you have questions.

Attachments

cc: ARDP
    EX
    SA

Attachment:

Purchase and Assumption Application

Bank Regulatory Agency Non-Objection Letter for Onsite Contact

Bank Purchase and Assumption Regional Summary.docx
[Date]

SENT BY EMAIL [or specify if other transmission source]

[Insert Addressee's Name]
[Insert Addressee's Title]
[Insert Bank’s Name]
[Insert Bank’s Street Address]
[Insert City] , [State Abbrev] [Zip]

Dear [Insert Mr. or Ms. and Last Name]:

The National Credit Union Administration (NCUA) is currently evaluating a proposal for the purchase and assumption [Or Merger] of [Insert Bank’s Name] by [Insert Credit Union’s Name] in [Insert Credit Union’s Location]. Part of our evaluation will include performing a review of [Insert Bank’s name], scheduled to begin [Insert Begin Date], with an effective date of [Insert Effective Date]. Principal Examiner [Insert Examiner's Name] is the NCUA Reviewer-in-Charge (EIC). The Supervisory Examiner is [Insert Supervisory Examiner’s Name].

We enclosed key documents necessary for you to prepare for our review:

1. List of review participants (Enclosure A), and
2. List of items we will need during the review to assist you in gathering information (Enclosure B).

Please organize the requested information in accordance with the electronic listing provided, indexed according to the request number. In addition, please provide a master copy of the checklist indicating the assigned contact person for each major area. If any information is too voluminous, please provide and retain the item in physical file format at your offices. To expedite our review, we ask that you have all of the information available upon our arrival.

Although requested in Enclosure B, please provide the loan trial balance, large borrower report, and the special mention and classified asset lists electronically to Examiner [Insert Name] by [Specify a date prior to the onsite that will allow time for someone to select the loan sample and provide time for the bank to pull the loans], at [Insert Examiner’s Email Address], so that we may select the loan sample before going onsite. Please contact Examiner [Insert Last Name] at [Insert Examiner’s Contact Number] for instructions on how to send this information through secure email or secure portal.

For security purposes, our review staff will provide valid identification upon arrival. Please make appropriate security arrangements according to your bank’s security protocols.

Please anticipate the review team arriving on [Insert Begin Date]. We expect to complete our onsite review by [Insert Anticipated End Date]; we will communicate any changes as the review progresses.
Please provide work space sufficient to accommodate [Insert Number of Examiners from All Participating Agencies] reviewers.

In an effort to ensure complete communication, we ask that you schedule an entrance meeting with your appropriate staff and our review team on [Insert Date], at [Insert Time] if possible. Please plan on working with us during this entrance meeting to assure we achieve our goal of complete, efficient, and effective communication.

If you have any questions about this letter or the enclosures, please contact Reviewer [Insert EIC’s Last Name] at [Insert EIC Contact Number] or at [Insert EIC’s Email Address]. Thank you in advance for your cooperation.

Sincerely,

[Insert EIC’s Name]
Reviewer-in-Charge

Enclosures:

Enclosure A – Review Team
Enclosure B – List of Requested Items

cc: [Insert name and email address of credit union CEO]  
[Insert name and email address of FDIC Point of Contact]  
[Insert name and email address of SSA Point of Contact if applicable]  
[Insert name and email address of OCC Point of Contact]
Template: Insurance Review Notification and Items
Requested Letter Template

National Credit Union Administration
Enclosure A: Review Team

Reviewer-in-Charge:

<table>
<thead>
<tr>
<th>Name</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
</table>

Supervisory Examiner assigned to your credit union:

<table>
<thead>
<tr>
<th>Name</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
</table>

NCUA Review Team:

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Contact Info</th>
<th>Anticipated Arrival</th>
<th>Anticipated Departure</th>
<th>Onsite/Offsite</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

State of [Insert State] Review Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Contact Info</th>
<th>Anticipated Arrival</th>
<th>Anticipated Departure</th>
</tr>
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<tbody>
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</tbody>
</table>

* Based on most recent available information
Template: Insurance Review Notification and Items
Requested Letter Template

National Credit Union Administration
Enclosure B: List of Requested Items

General Comment

We are providing this list to help you gather the items we will need during our visit to your bank. Please furnish the reviewer(s) with the following items noted by a checkmark in order to make the most effective use of review time and to minimize disruption to ongoing bank business. Please indicate on this sheet the appropriate contact person for each review area. Please advise the reviewer(s) if any item(s) is presently unavailable and make arrangements to provide such information as soon as possible.

Please note: The bank’s computer-generated reports that contain the information requested are acceptable. Please save PDF files in a searchable text format rather than an image format. Please store the requested information in a secure area until needed. Please feel free to call me if you have questions related to these items. A comprehensive list of items frequently requested for an onsite review appears on the following pages. We may request additional items during the onsite review.

Review Area: General

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEN 01</td>
<td>Organizational chart and staff directory.</td>
</tr>
<tr>
<td>GEN 02</td>
<td>Bank personnel contact list for all key employees, including name, title, telephone number, and email address.</td>
</tr>
<tr>
<td>GEN 03</td>
<td>List of any pending lawsuits against the bank.</td>
</tr>
<tr>
<td>GEN 04</td>
<td>Stockholder interest report or similar documentation showing ownership structure.</td>
</tr>
</tbody>
</table>

Review Area: Credit Risk

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR 01</td>
<td>Loan policy (types granted, maturities, rates, etc.). Please include construction, commercial real estate, and commercial and industrial lending in these policies and procedures. Also include a summary of any changes to loan policies occurring in the last year.</td>
</tr>
</tbody>
</table>
| CR 02        | Loan and deposit download in a sort friendly electronic format prescribed in NCUA Letters to Credit Unions 03-CU-05, and the following:  
                  a. List of definitions for the loan and deposit type codes; 
                  b. Lists of any off-system loans                                                                                       |
<p>| CR 03        | Delinquent loan list.                                                                                                                             |</p>
<table>
<thead>
<tr>
<th>CR 04</th>
<th>List of Special Mention Loans, Adversely Classified Loans, and Other Real Estate Owned.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR 05</td>
<td>Loan trial balance.</td>
</tr>
<tr>
<td>CR 06</td>
<td>Large borrower report, include at least the top 20 affiliated borrowers.</td>
</tr>
<tr>
<td>CR 07</td>
<td>Credit risk monitoring/reporting occurring in the past 15 months, including but not limited to:</td>
</tr>
<tr>
<td></td>
<td>a. Identification of high loan-to-value real estate loans;</td>
</tr>
<tr>
<td></td>
<td>b. Credit score migration analysis of the loan portfolio; and</td>
</tr>
<tr>
<td></td>
<td>c. Yield analysis by credit score or paper grade.</td>
</tr>
<tr>
<td>CR 08</td>
<td>Reports for loan quality control audits occurring in the past 15 months.</td>
</tr>
<tr>
<td>CR 09</td>
<td>Reports pertaining to secondary market activity.</td>
</tr>
<tr>
<td>CR 10</td>
<td>Allowance for Loan and Lease Losses (ALLL) or Allowance for Credit Losses (ACL) adequacy assessment as of the most recent quarter end in Excel format.</td>
</tr>
<tr>
<td>CR 11</td>
<td>Collection notes and payment histories (last 3 months) for loans delinquent greater than 180 days as of the review date.</td>
</tr>
<tr>
<td>CR 12</td>
<td>List of loans to officials and senior executive staff, and all associated affiliates, including position and account number(s).</td>
</tr>
<tr>
<td>CR 13</td>
<td>Summary of any contingent liabilities or other off-balance sheet items such as contract liabilities, member lawsuits, and letters of credit.</td>
</tr>
<tr>
<td>CR 14</td>
<td>For loan workout/modification programs and troubled debt restructuring (TDR):</td>
</tr>
<tr>
<td></td>
<td>a. Monitoring/reporting occurring in the past 15 months;</td>
</tr>
<tr>
<td></td>
<td>b. List of modified and TDR loans outstanding by date and dollar amount, segmented by type; and</td>
</tr>
<tr>
<td></td>
<td>c. Delinquency report and watch list for modified and TDR loans.</td>
</tr>
<tr>
<td>CR 15</td>
<td>For commercial/business purpose loans:</td>
</tr>
<tr>
<td></td>
<td>a. List of bank products and services offered to commercial clients, including any applicable rate/fee schedules;</td>
</tr>
<tr>
<td></td>
<td>b. Organizational and/or flow chart for business lending process;</td>
</tr>
<tr>
<td></td>
<td>c. Resumes for all individuals involved in underwriting and servicing commercial loans;</td>
</tr>
<tr>
<td></td>
<td>d. Contracts with any related third party service providers;</td>
</tr>
<tr>
<td></td>
<td>e. Report for most recent third party commercial loan review, including engagement letter, scope, and any management responses. Include access to workpapers;</td>
</tr>
<tr>
<td></td>
<td>f. Any management reports showing the risk composition of the portfolio, such as commercial loans by industry/type, geographic location, risk ratings (including trends), concentrations of credit, and underwriting statistics (e.g., loan-to-value, cash flow);</td>
</tr>
<tr>
<td></td>
<td>g. Any loan committee minutes or similar documentation containing narratives on individual business loan recommendations/approvals, modifications, or other actions in the past 15 months;</td>
</tr>
</tbody>
</table>
h. Report of commercial loans, aggregated by associated borrowers, containing:
   1. Account number,
   2. Borrower name,
   3. Loan type,
   4. Loan date,
   5. Original loan amount,
   6. Current loan balance,
   7. Collateral type,
   8. Date of most recent annual review,
   9. Current risk rating,
   10. Previous risk rating;

i. Where applicable, lists of the following:
   1. Loans and borrowers with government guarantees (e.g., SBA, FSA, USDA),
   2. Construction and development loans,
   3. Unsecured business loans,
   4. Letters of credit; and
   5. Delinquency report and watch list for commercial loans.

j. Business /Commercial lending pipeline report.

k. Commercial loan annual review tracking reports.

Review Area: Secondary Market Activity – Mortgage Banking

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTG BK 01</td>
<td>Overview of secondary market mortgage program.</td>
</tr>
<tr>
<td>MTG BK 02</td>
<td>Quarterly production totals by product type, production channel, and investor.</td>
</tr>
<tr>
<td>MTG BK 03</td>
<td>Description of product types and loan programs.</td>
</tr>
<tr>
<td>MTG BK 04</td>
<td>Underwriting guidelines by investor and rate sheets.</td>
</tr>
<tr>
<td>MTG BK 05</td>
<td>List of production channels (retail and wholesale) and staffing breakdown.</td>
</tr>
<tr>
<td>MTG BK 06</td>
<td>Quality control programs and reports.</td>
</tr>
<tr>
<td>MTG BK 07</td>
<td>Pipeline reports.</td>
</tr>
<tr>
<td>MTG BK 08</td>
<td>List of forward commitments.</td>
</tr>
<tr>
<td>MTG BK 09</td>
<td>Investor contracts and master agreements (if applicable).</td>
</tr>
<tr>
<td>MTG BK 10</td>
<td>List of any loans repurchased in the past five years.</td>
</tr>
<tr>
<td>MTG BK 11</td>
<td>Policies and procedures for hedging secondary market activity.</td>
</tr>
<tr>
<td>MTG BK 12</td>
<td>List of loans serviced for others.</td>
</tr>
<tr>
<td>MTG BK 13</td>
<td>Third party mortgage servicing rights valuations (if applicable).</td>
</tr>
<tr>
<td>MTG BK 14</td>
<td>Internal audit reports of mortgage banking function.</td>
</tr>
</tbody>
</table>
Review Area: Interest Rate Risk

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRR 01</td>
<td>Investment Policy.</td>
</tr>
<tr>
<td>IRR 02</td>
<td>Most recent IRR (ALM) model output reports for the bank.</td>
</tr>
<tr>
<td>IRR 03</td>
<td>Consolidated IRR (ALM) model output reports for the bank and the credit union.</td>
</tr>
<tr>
<td>IRR 04</td>
<td>Support for all significant IRR (ALM) model assumptions.</td>
</tr>
<tr>
<td>IRR 05</td>
<td>Most recent non-maturity share sensitivity analysis and “Deposit Study” study (include the engagement letter).</td>
</tr>
<tr>
<td>IRR 06</td>
<td>Loan and deposit rate schedule.</td>
</tr>
</tbody>
</table>

Review Area: Liquidity Risk

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LR 01</td>
<td>List of investments, with CUSIP numbers.</td>
</tr>
<tr>
<td>LR 02</td>
<td>Deposit Trial Balance</td>
</tr>
<tr>
<td>LR 03</td>
<td>Pledged asset report.</td>
</tr>
<tr>
<td>LR 04</td>
<td>List of all unfunded commitments.</td>
</tr>
<tr>
<td>LR 05</td>
<td>List of all FHLB advances and other lines of credit, including term, structure, and pricing.</td>
</tr>
<tr>
<td>LR 06</td>
<td>List of Derivative Contracts.</td>
</tr>
</tbody>
</table>

Review Area: Transaction Risk

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TR 01</td>
<td>Most recent annual audit report, including engagement letter and management letter (if applicable).</td>
</tr>
<tr>
<td>TR 02</td>
<td>Internal audit deficiency tracking report.</td>
</tr>
</tbody>
</table>
| TR 03        | The following as of the effective date of this onsite review:  
  a. Financial statements  
  b. General Ledger trial balance. |
Items Requested

**Review Area: Compliance Risk**

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>COM 01</td>
<td>Written response to the last examination report (if applicable).</td>
</tr>
<tr>
<td>COM 02</td>
<td>BSA compliance testing report (most recent) and management’s written response.</td>
</tr>
<tr>
<td>COM 03</td>
<td>The most recent Community Reinvestment Act performance evaluation by the primary regulator.</td>
</tr>
<tr>
<td>COM 04</td>
<td>List of any hemp/marijuana-related businesses along with any money service businesses.</td>
</tr>
</tbody>
</table>

**Review Area: Strategic Risk**

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR 01</td>
<td>Board, annual, reorganization, and any special meeting minutes recorded in the past twelve months.</td>
</tr>
<tr>
<td>SR 02</td>
<td>Complete “packet” for the most recent monthly Board meeting.</td>
</tr>
<tr>
<td>SR 03</td>
<td>Most recent concentration risk monitoring report.</td>
</tr>
<tr>
<td>SR 04</td>
<td>All active outstanding contracts (e.g., leases, data processing, etc.).</td>
</tr>
<tr>
<td>SR 05</td>
<td>List of any bonuses paid out in the past 12 months.</td>
</tr>
<tr>
<td>SR 06</td>
<td>Criteria for management and staff incentive plans (if applicable).</td>
</tr>
</tbody>
</table>
**Review Area:** Reputation Risk

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RR 01</td>
<td>Listing of employees and officials with position, account number(s), and account balances. Include immediate family members, and employees and officials who separated or left their positions within the last 12 months.</td>
</tr>
<tr>
<td>RR 02</td>
<td>Outstanding management contracts.</td>
</tr>
<tr>
<td>RR 03</td>
<td>Gramm Leach Bliley Act Board Reporting.</td>
</tr>
<tr>
<td>Credit Union Name:</td>
<td>Location:</td>
</tr>
<tr>
<td>------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Charter/District No.:</td>
<td>Current Members:</td>
</tr>
<tr>
<td>Potential Members:</td>
<td></td>
</tr>
<tr>
<td>Last Exam Effective:</td>
<td>CAMEL:</td>
</tr>
<tr>
<td>Completed By:</td>
<td></td>
</tr>
<tr>
<td>As of [Insert As of Date]</td>
<td></td>
</tr>
<tr>
<td>Net Worth (%):</td>
<td>Net Worth ($):</td>
</tr>
<tr>
<td>Earnings:</td>
<td>Assets:</td>
</tr>
<tr>
<td>Delinquency:</td>
<td>Loans:</td>
</tr>
<tr>
<td>Net Charge-Offs:</td>
<td>Shares:</td>
</tr>
<tr>
<td>PAS:</td>
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<table>
<thead>
<tr>
<th>Bank Name:</th>
<th>Location:</th>
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<tbody>
<tr>
<td>Last Exam Effective:</td>
<td>CAMELS:</td>
</tr>
<tr>
<td>Completed By:</td>
<td></td>
</tr>
<tr>
<td>As of [Insert As of Date]</td>
<td></td>
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<tr>
<td>Tier 1 Capital:</td>
<td>Assets:</td>
</tr>
<tr>
<td>Earnings:</td>
<td>Loans:</td>
</tr>
<tr>
<td>Delinquency:</td>
<td>Shares:</td>
</tr>
<tr>
<td>Net Charge-Offs:</td>
<td>Classified Assets:</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Consolidated Projections</th>
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<tbody>
<tr>
<td>Assets</td>
</tr>
<tr>
<td>[Insert Credit Union Name]</td>
</tr>
<tr>
<td>[Insert Bank Name]</td>
</tr>
<tr>
<td>Consolidated</td>
</tr>
</tbody>
</table>

**[INSERT CREDIT UNION’S NAME] REQUEST**

[Insert brief summary of the transaction including the rationale for purchase.]

[Describe the transaction: what assets and deposits it involves, how many branches the bank has and where they are located.]
Template: Bank Purchase and Assumption/Merger
Regional Summary

[Describe the credit union’s plans for bank employee retention.]

[Describe how the bank’s customers will qualify for membership at the credit union so there is not a lapse in insurance coverage. Will the credit union pay the membership fee to open accounts for borrowers who do not have a deposit account and for all current depositors? What methods will the credit union take to qualify bank customers as depositors? If the credit union is low-income-designated, what capacity does it have to retain the bank customers under its low-income-designation?]

DELEGATIONS OF AUTHORITY

[Describe the required delegations of authority]

(Under NCUA Delegations of Authority SUP 24, the Regional Director can approve transactions less than $500 million. NCUA Board approval is required if the transaction is $500 million or greater. E&I concurrence is required for any transaction exceeding $100 million.)

THE HISTORY, FINANCIAL CONDITION, AND MANAGEMENT POLICIES OF THE APPLICANT

[Insert Bank’s Name] Background & Regulatory Status

[Insert a brief description of the bank, its method of charter, ownership structure, primary federal or state regulator, insurer, and operating history.]

[Insert a brief description of the bank’s most recent examination.]

<table>
<thead>
<tr>
<th>[Insert Bank Regulator]</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Adequacy</td>
<td></td>
</tr>
<tr>
<td>Asset Quality</td>
<td></td>
</tr>
<tr>
<td>Management</td>
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<tr>
<td>Earnings</td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td></td>
</tr>
<tr>
<td>Sensitivity to Market Risk</td>
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<tr>
<td>Information Technology</td>
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<tr>
<td>Consumer Compliance</td>
<td></td>
</tr>
<tr>
<td><strong>Composite Rating</strong></td>
<td></td>
</tr>
</tbody>
</table>

[Insert overall conclusions of the most recent examination.]

[Insert overall conclusions of prior examinations.]
Template: Bank Purchase and Assumption/Merger
Regional Summary
[Insert a brief description of the bank’s financial condition, include prompt corrective action, earnings, primary operations, etc. that adequately describe the relevant information about the bank.]

[Insert Credit Union’s Name] Background

[Insert a brief description of the credit union, its method of charter, general field of membership, primary federal or state regulator, and operating history.]

[Insert a brief description of the results of the credit union’s most recent examination.]

[Modify chart based on FICU or FISCU]

<table>
<thead>
<tr>
<th></th>
<th>xx/xx/xxxx Exam</th>
<th>xx/xx/xxxx Exam</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NCUA</td>
<td>SSA</td>
</tr>
<tr>
<td></td>
<td>NCUA</td>
<td>SSA</td>
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<tr>
<td>Capital</td>
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<td>Asset Quality</td>
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<tr>
<td>Earnings</td>
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<tr>
<td>Liquidity / ALM</td>
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<td></td>
</tr>
<tr>
<td><strong>Composite Rating</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial History

[Insert a brief description of the credit union’s recent operating performance.]

[Modify chart based on the risk profile of the transaction.]

<table>
<thead>
<tr>
<th>Key Ratios</th>
<th>12/20xx</th>
<th>12/20xx</th>
<th>12/20xx</th>
<th>12/20xx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Net Worth Ratio (%)</td>
<td></td>
<td></td>
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<tr>
<td>Ann. YTD ROA (%)</td>
<td></td>
<td></td>
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<tr>
<td>Del Loan Ratio (%)</td>
<td></td>
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<tr>
<td>Ann. Chg.-off Ratio (%)</td>
<td></td>
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<tr>
<td>Outstanding Commercial Loans</td>
<td></td>
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<tr>
<td>Commercial Delinquency (%)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Commercial Charge-Offs (%)</td>
<td></td>
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</tr>
</tbody>
</table>

[Insert Credit Union’s Acronym]’s Management Structure
THE ECONOMIC ADVISABILITY OF INSURING THE APPLICANT WITHOUT UNDUE RISK TO THE FUND

NCUA’s Review of Proposed Transaction

[Insert a paragraph describing the onsite/offsite review and its focus] [Include a paragraph clearly documenting the region’s reasoning for conducting an onsite or offsite review.]

Example: NCUA examiners completed an onsite review of XYZ Bank beginning xx date, through xx date. The SSA did or did not participate on the exam. The review focused on analyzing XYZ’s potential impact on the credit union’s financial condition, earnings, and net worth, as well as risk to the NCUSIF. The review also evaluated whether current credit union management can adequately manage the additional loans, deposits, and increase in membership from this transaction. Other considerations included the credit union’s due diligence over analyzing the transaction with regard to the following areas.

[Include a description of the combined entities, projected pro forma financial statements. Include a description of key assumptions.]

[Describe how this transaction fits into the credit union’s existing or adjusted strategic plan.]

Credit Union’s Reserves and Impact of the Bank Purchase and Assumption/Merger

[Describe the adequacy of the credit union’s reserves and methodology and the transaction’s impact on the credit union’s net worth.]

[Insert Bank’s Name]’s Criticized Assets: [Describe the materiality of the bank’s delinquencies and criticized and classified assets. Describe the volume of TDRs the bank has and how all of these problem loans impact the transaction and the credit union’s operations and net worth]

Economic Advisability of the Transaction - Evaluation of Purchase Price/Share Premium, Fair Value, and Goodwill

<table>
<thead>
<tr>
<th>Transaction Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchase Price</strong></td>
</tr>
<tr>
<td><strong>Tangible Book Value of Equity</strong></td>
</tr>
<tr>
<td><strong>Purchase Premium</strong></td>
</tr>
<tr>
<td><strong>Goodwill</strong></td>
</tr>
</tbody>
</table>
Template: Bank Purchase and Assumption/Merger

Regional Summary

| Bargain Purchase Gain | [Insert Bargain Purchase Gain (as applicable)] |

[Describe the purchase price and how it was negotiated or validated by the credit union.]

[Describe the fair valuation of the transaction. Include the name of the third party that conducted the analysis, any goodwill or bargain purchase gain associated with the transaction and the core deposit intangible. Also describe how the core deposit intangible was negotiated between the two institutions.]

[Describe any internal analysis performed by the credit union and any assumptions used in the analysis.]

[Describe the credit union’s plans for potential severance payments, retention of key employees for a period to assist with the transaction, and retention bonuses (Specify which institution will pay the severance and retention bonuses, and discuss any non-compete agreements).]

[Describe any significant contracts the credit union will assume or acquire as a result of this agreement or significant costs of breaking existing contracts.]

Additional Bank Review Information

[Complete all sections as they apply to the transaction. Remove sections that are not applicable.]

Loan Review

[Describe the bank’s overall loan portfolio, types of loan products offered and any significant differences to that of the credit union’s lending practices, and the differences in the risk profiles of each institution.]

[Describe loan concentrations at the bank and how they will translate to concentrations at the consolidated entity – how will the credit union manage these concentrations – does the credit union have the knowledge and expertise to manage the incoming portfolio of loans?]

[Describe the credit union’s due diligence over the bank’s portfolio. What are the credit union’s plans pertaining to the loans and services provided by the bank? Will they continue, will they cease, and how will they be managed?]

[Consider adding a table to show a comparison of the two portfolios, particularly for higher-risk lending categories.]

<table>
<thead>
<tr>
<th>Example Portfolio Comparison</th>
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</thead>
<tbody>
<tr>
<td>In (000’s)</td>
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<tr>
<td>------------------------------</td>
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</tbody>
</table>

5
Template: Bank Purchase and Assumption/Merger Regional Summary

<table>
<thead>
<tr>
<th>Example Portfolio Comparison</th>
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<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Lending Staff**

[Describe the credit union’s lending staff and experience.]

[Describe the credit union’s plans for retaining the bank’s lending staff, any gaps in knowledge the credit union has that the bank employees will fill or if the bank employees’ knowledge and experience just adds to the credit union’s existing experience, particularly in the areas of products and services that are new to the credit union.]

**Investments**

[Describe the bank’s investment portfolio, types of investments, pledged versus available for pledging.]

[Describe the permissibility of the bank’s investments.]

[Describe the credit union’s investment portfolio and future investment plans – are the bank’s investments consistent with the credit union’s investment strategy (type and terms). Does the credit union plan to retain the investments, or do they have plans to liquidate the bank’s investment portfolio and invest based on the credit union’s own strategy?]

[As applicable, for transactions where the bank uses derivative contracts, describe the method the credit union will use to obtain approval to hold these derivative contracts, the timing of the approval (before consummation of the transaction) or actions the bank/credit union will take to unwind these transactions, the associated costs, and accounting implications.]

**Borrowings**

[Describe whether the bank has any borrowings and what they are used for, overnight, short-term, long-term]

[Describe whether the credit union has any borrowings and its strategy for using borrowings. What are the credit union’s plans for assuming the bank’s borrowings or retiring this debt?]
Template: Bank Purchase and Assumption/Merger
Regional Summary

[Describe the disposition of any bank borrowings and lines of credit and whether the credit union plans to assume these liabilities.]

**Liquidity**

[Describe the bank’s liquidity structure and cash flow analysis processes. What portion of the balance sheet is the bank’s liquidity? Does the bank operate with ample liquidity or low levels of liquidity, relying more on borrowings to fund incidental needs?]

[Describe the credit union’s liquidity and the impact of the transaction. Describe any anticipated deposit runoff from the transaction and how that runoff will be funded.]

[Does the transaction pose any negative impact to the credit union’s liquidity position?]

**Interest Rate Risk**

[Describe the interest rate risk associated with the bank’s balance sheet and specific loan products.]

[Describe the impact of the bank’s interest rate risk on the consolidated credit union.]

**Deposits**

[Describe the permissibility of the bank’s deposits.]

[If the bank has any brokered deposits, public deposits, or Interest on Lawyers Trust Accounts (IOLTA) accounts, describe the credit union’s plans for these accounts.]

**Fair Value Accounting**

[Describe the fair value analysis and how the credit union will account for any goodwill (impairment test or amortize)].

**CHARACTER AND FITNESS OF CREDIT UNION MANAGEMENT**

[Describe credit union management’s knowledge and expertise. Does the credit union have the requisite knowledge and experience to assume the bank’s loans and deposits? Will retaining the bank’s employees assist with this, or is retention needed to bring the credit union’s management oversight to a level necessary for the transaction to occur?]

[Describe any relevant management experience – particularly whether management does or does not possess the necessary expertise.]

[Describe the risk level of the transaction based on the risk profiles of both institutions and how well each institution is managed.]

**CONVENIENCE AND NEEDS OF THE MEMBERS TO BE SERVED BY THE APPLICANT**
Template: Bank Purchase and Assumption/Merger

Regional Summary

[Describe the credit union branches in proximity to the bank’s customers, particularly in the event the credit union does not plan to maintain the bank’s existing branches. Describe any actions the credit union will take to assist with the conversion of bank customers to credit union members (for example, pay the membership fee, etc.) If the credit union has a low-income designation, Describe the credit union’s ability to maintain customers not eligible for membership as nonmember deposits.]

WHETHER THE APPLICANT IS A COOPERATIVE ASSOCIATION ORGANIZED FOR THE PURPOSE OF PROMOTING THRIFT AMONG ITS MEMBERS AND CREATING A SOURCE OF CREDIT FOR PROVIDENT AND PRODUCTIVE PURPOSES

[Describe how the credit union will promote thrift among its new members. Describe how the credit union will serve the bank customers.]

NON-CONFORMING ASSETS, LIABILITIES, AND CUSTOMERS

[Summarize non-conforming assets, liabilities, and customers (not eligible for membership) and actions the credit union is taking to resolve these issues.]

OTHER REGULATORY APPROVALS

The Federal Deposit Insurance Corporation approved/disapproved this transaction in accordance with Section 18(c) of the Federal Deposit Insurance Act on [Insert Date].

The [Insert SSA’s Name] (SSA) approved/disapproved this transaction with/without standard conditions by letter dated [Insert Date].

The [Insert Primary Bank Regulator] issued an acknowledgement and non-objection/approval etc. to this transaction on [Insert Date].

ADMINISTRATIVE

[Include notes on the examination type, start date, completed date, and upload date.]

[Include a table that depicts hours charged to the P&A review.]

FINAL RECOMMENDATION
Template: Bank Purchase and Assumption/Merger
Regional Summary

The [Region Name] Region recommends approval or denial of this transaction, subject to the following conditions:

[List any conditions the credit union needs to address to allow the transaction to be approved.]

APPROVE ☐ DISAPPROVE ☐

Examiner ___________________________ Date ________________

APPROVE ☐ DISAPPROVE ☐

Supervisory Examiner ___________________ Date ________________

APPROVE ☐ DISAPPROVE ☐

Supervision Analyst ___________________________ Date ________________

APPROVE ☐ DISAPPROVE ☐

Director of Supervision ___________________________ Date ________________

APPROVE ☐ DISAPPROVE ☐

Associate Regional Director ___________________________ Date ________________

APPROVE ☐ DISAPPROVE ☐

Regional Director ___________________________ Date ________________
TO: [Insert E&I Director’s Name], Director
   Office of Examination and Insurance

FROM: Regional Director [Insert Regional Director’s Name]

SUBJ: Purchase and Assumption of [Insert Bank’s Name] by [Insert Credit Union’s Name]

DATE: [Insert Date]

Response Requested by [Insert Date at least 14 days from the date of this memo]

I request concurrence from the Office of Examination and Insurance on my decision to approve the subject purchase and assumption of certain bank assets and liabilities, as set forth in Section 205(b)(1) of the Federal Credit Union Act. In accordance with SUP 24 of the Delegations of Authority, your concurrence is required for transactions exceeding the $100 million threshold. The attached Regional Summary establishes the transaction does not pose a material concern to the NCUSIF, and the subject credit union has the management experience and operational ability to service the additional loans and account holders of [Insert Bank Name, City, and State].

We are asking you to process this request by [Insert Date at least 14 days from the date of this memo], (so that we may meet the deadline for the [Insert Board Meeting Date] Board meeting – For transactions that require board approval). If you have any questions or need additional information, please contact Supervision Analyst [Insert Analyst’s Name] at [Insert Analyst’s Contact Number].

I concur _______ do not concur _______ with the region’s recommendation to approve the purchase and assumption of [Insert Bank’s Name], [Insert City, State].

BY: ________________________________ DATE: __________________

Attachment

cc: DRM Director
    OGC Staff Attorney
    ARDP
    ARDO
## Template: Concurrence Package – Table of Contents

<table>
<thead>
<tr>
<th><strong>Office of Examination and Insurance</strong></th>
<th><strong>NCUA Board</strong></th>
</tr>
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<tr>
<td>B1 and BAM¹</td>
<td>B1 and BAM</td>
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<tr>
<td>E&amp;I Concurrence Memo</td>
<td>E&amp;I’s Concurrence Memo</td>
</tr>
<tr>
<td>Regional Summary</td>
<td>Regional Summary</td>
</tr>
<tr>
<td>P &amp; A/Merger Application Package</td>
<td>P &amp; A/Merger Application Package</td>
</tr>
<tr>
<td>Approval Letters from Other Regulators or language documenting approvals are pending</td>
<td>Approval Letters from Other Regulators or language documenting approvals are pending</td>
</tr>
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<td>Two most recent Exam Reports for the Credit Union and Bank</td>
<td>Two most recent Exam Reports for the Credit Union and Bank</td>
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<tr>
<td>Fair Valuation Analysis</td>
<td>Fair Valuation Analysis</td>
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<tr>
<td>Credit Union Financials (Call Report / FPR)</td>
<td>Credit Union Financials (Call Report / FPR)</td>
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<td>Bank Financials (Call Report / UBPR)</td>
<td>Bank Financials (Call Report / UBPR)</td>
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<tr>
<td>Individual and Combined Pro forma Financial Statements</td>
<td>Individual and Combined Pro forma Financial Statements</td>
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<td>Credit Union Due Diligence / Strategic Plan</td>
<td>Credit Union Due Diligence / Strategic Plan</td>
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<td>FICU Field of Membership (FOM)</td>
<td>FICU Field of Membership (FOM)</td>
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<tr>
<td>Bank History</td>
<td>Bank History</td>
</tr>
<tr>
<td>Hart Scott Rodino Act Review</td>
<td>Hart Scott Rodino Act Review</td>
</tr>
</tbody>
</table>

¹ A B1 and BAM are required for a concurrence package that requires the NCUA Board approval. The B1 and BAM are not required for a concurrence package that only requires E&I concurrence; however, if E&I is concurring before a transaction goes to the NCUA Board for approval, include the B1 and BAM in the concurrence package provided to E&I.
Notice of Proposed Board Action

Attached is a Board Briefing Summary and supporting documentation that outlines the requested purchase and assumption (P&A or transaction) between [Insert Bank’s Name] and [Insert Credit Union’s Name]. The subject P&A requires board approval, as set forth in Section 205(b)([Insert Subjection]) of the Federal Credit Union Act and SUP 24 of the Delegations of Authority. The Office of Examination and Insurance concurred with my decision to approve this transaction on [Insert Date]. The attached documentation establishes the transaction does not pose a material concern to the NCUSIF, and the subject credit union has the management experience and operational ability to service the additional loans and account holders of [Insert Bank’s Name], [Insert Bank’s City, State].

Please respond to this request accordingly so we may meet the required deadline for the [Insert Month Day, Year] NCUA Board meeting. If you have any questions or need additional information, please contact me directly or Director of Supervision [Insert D/DOS Name] at [Insert Contact Number].

Attachments

cc: DRM
    OGC Staff Attorney
    ARDP
    ARDO
    SE
    PE
    SA
Attachment: Request -- Board Briefing Summary

Attachment: E&I Concurrence Memo

Attachment: E&I RM Comments

Attachment: Bank Purchase and Assumption Regional Summary
Template: OED Request Regional Director Notification
– Board Briefing Summary

Board Briefing Memo
[Insert Credit Union’s Name]
Proposed Purchase and Assumption
of [Insert Bank’s Name]

<table>
<thead>
<tr>
<th>CU Name:</th>
<th>Location:</th>
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<tbody>
<tr>
<td>Charter/District No.:</td>
<td>Current Members:</td>
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<tr>
<td></td>
<td>Potential Members:</td>
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</table>

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<tbody>
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<td>Recently Completed Exam:</td>
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As of xx/xx/xxxx

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<tr>
<td>Earnings:</td>
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<tr>
<td>PAS:</td>
<td>Shares:</td>
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<tr>
<td>Net Charge-Offs</td>
<td>Delinquency:</td>
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</table>

Transaction Overview

<table>
<thead>
<tr>
<th>Purchase Price</th>
<th>[Insert Purchase Price]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible Book Value of Equity</td>
<td>[Insert Tangible BV of Equity]</td>
</tr>
<tr>
<td>Purchase Premium</td>
<td>[Calculate Purchase Premium]</td>
</tr>
<tr>
<td>Goodwill</td>
<td>[Insert Goodwill (as applicable)]</td>
</tr>
<tr>
<td>Bargain Purchase Gain</td>
<td>[Insert Bargain Purchase Gain (as applicable)]</td>
</tr>
</tbody>
</table>

[Insert Credit Union’s Name] Request

[Describe the transaction.]

[Describe the size of the transaction and what is being purchased and assumed.]

[Describe the agreed upon price, and the credit union’s input on negotiating the price or validating the price.]

[List the approvals and non-objections obtained from the other agencies.]

[Insert Bank’s Name] Background

[Briefly describe the bank’s background and ownership structure.]

[Briefly describe the bank’s history and operations. Highlight its most recent CAMELS rating and a comparison of the bank’s operations versus the credit union’s operations.]
Template: OED Request Regional Director Notification – Board Briefing Summary

[Briefly describe the bank’s loan portfolio composition. Highlight any material differences in the bank’s portfolio compared to the credit union’s portfolio.]

[Insert Credit Union’s Name] Background

[Briefly describe the credit union’s history, branch structure, and a high-level geographic description of its field of membership and how it overlaps with the bank. Mention how the bank’s customers will qualify for membership in the credit union and whether the credit union will fund the membership fee for the bank’s customers.]

[If additional steps are necessary to qualify the bank’s customers as members of the credit union, describe the steps the credit union will take to qualify these customers as members.]

[Briefly describe the credit union’s most recent CAMEL rating, including effective date of the exam.]

[Briefly describe the credit union’s size and operations. Describe the loan portfolio (high-level composition), recent material trends that may be questioned by another reader, and whether the credit union has its low-income designation.]

[Briefly describe the credit union’s management team, its requisite knowledge and experience to oversee the consolidated assets and liabilities. Describe the credit union’s plans for retaining bank employees and any anticipated changes in the branch structure.]

[Briefly describe the credit union’s strategic plans pertaining to this purchase and assumption – growth projections over the next three years.]

[Insert Region Name]’s Assessment of the Transaction and Recommendations

[Describe any material findings from the insurance review, particularly those that will result in a condition of approval. Mention the permissibility of investments and deposits.]

[Briefly describe the bank’s liquidity and the impact on the credit union.]

[Briefly describe the performance or criticisms of the bank’s loan portfolio. The analyst may cite some delinquency ratios and provide perspective based on the credit union’s net worth or assets.]

[Briefly describe the level of risk the transaction poses to the credit union and the NCUSIF.]
[Insert Region Name] recommends approval of this transaction subject to the following conditions:

[List any conditions for the approval of the transaction.]
I am notifying you of the proposed Purchase and Assumption (P&A) of [Insert Bank Name] by [Insert Credit Union Name] in accordance with SUP 24 of the Delegations of Authority. I plan to issue an approval on [Insert Intended Date].

Attached is a Board Briefing Summary and supporting documentation that outlines the requested purchase and assumption (P&A or transaction) between [Insert Bank’s Name] and [Insert Credit Union’s Name]. The Office of Examination and Insurance concurred [or did not need to concur] with my decision to approve this transaction on [Insert Date]. The attached documentation establishes the transaction does not pose a material concern to the NCUSIF, and the subject credit union has the management experience and operational ability to service the additional loans and account holders of [Insert Bank’s Name], [Insert Bank’s City, State].

If you have any questions, please contact Supervision Analyst [Insert Analyst Name] at [Insert Analyst Telephone Number].

Attachment(s)

cc: ARDP
    ARDO
    SE
    PE
    SA

Attachment: OED Request Regional Director Notification – Board Briefing Summary
Instructions: Within 30 calendar days after the effective date of the transaction, the acquiring credit union must complete this form and mail it to the National Credit Union Administration (NCUA) Regional Director with the documents listed on the form.

We, the undersigned officers of ____________________________ (name of acquiring credit union), certify to the NCUA as follows:

1. The purchase and assumption of the assets and liabilities of ____________________________ (name of acquired financial institution) was completed as of _____________, 20___ (date of executed purchase and assumption agreement), according to the terms and plan approved by this Board of Directors by a resolution adopted at the meeting held on _____________, 20___ (date of meeting). We previously provided a certified copy of the resolution to the NCUA.

2. We completed all required steps for the purchase and assumption and transferred the acquired financial institution's assets and liabilities.

We have attached the following documents to this certification:

1. Financial reports for each financial institution immediately before the completion of the transaction.

2. A consolidated financial report for the acquiring credit union immediately after the completion of the transaction.

3. A copy of the executed purchase and assumption agreement.

This certification signed _________________, 20___ (date of signature).

_________________________________  ______________
Board Presiding Officer                              Treasurer
Certification of Completion of Merger

Instructions: Within 30 calendar days after the effective date of the merger, the continuing credit union must complete this form and mail it to the National Credit Union Administration (NCUA) Regional Director with the documents listed on the form.

We, the undersigned officers of ___________________________________ (name of continuing credit union), certify to the NCUA as follows:

1. The merger of our credit union with _________________________________ (name of merging financial institution) was completed as of _______________________, 20____ (date of executed merger agreement), according to the terms and plan approved by this Board of Directors by a resolution adopted at the meeting held on _________________________, 20____ (date of meeting). We previously provided a certified copy of the resolution to the NCUA.

2. We completed all required steps for the merger and transferred the merging financial institution's assets and liabilities.

We have attached the following documents to this certification:

1. Financial reports for each financial institution immediately before the completion of the merger.

2. A consolidated financial report for the continuing credit union immediately after the completion of the merger.

3. A copy of the executed merger agreement.

This certification signed _______________________, 20____ (date of signature).

____________________________________  ______________________________________
Board Presiding Officer                   Treasurer
Template: Completion Letter – Bank Purchase and Assumption

[Insert Date]

SENT BY FEDERAL EXPRESS

[Insert Addressee's Name]
[Insert Addressee's Title]
[Insert Credit Union's Name]
[Insert CU's Street Address]
[Insert City], [State Abbrev] [Zip]

Dear [Insert Mr. or Ms. and Last Name]:

I received all the required forms certifying the completion of [Insert Credit Union’s Name and (Acronym)] Purchase & Assumption (P&A) of certain assets and liabilities of [Insert Bank Name]. Also, I confirmed your payment of [Insert Amount] (conversion examination fee) as required. Please increase the amount of your NCUSIF deposit by an amount equal to one percent of the increase in insured shares resulting from the P&A at your earliest convenience. You should verify the consolidated NCUSIF deposit balance when you receive your next share insurance statement or by running a National Credit Union Administration Capitalization Deposit Statement at http://sicapdep.ncua.gov/.

Based on the signed documentation received from your credit union, the effective date of the P&A was [Insert Date]. As a reminder, you are required to apply the “acquisition method” of financial accounting as defined by Accounting Standards Codification (ASC) Topic 805, Business Combinations (formerly SFAS 141R).

If you have any questions, please contact Supervision Analyst [Insert Supervision Analyst Name] at [Insert Telephone Number (xxx) xxx-xxxx].

Sincerely,

[Insert Regional Director’s Name]
Regional Director

ecc: [CEO of Credit Union]
ARDO
ARDP
OCFO Mail
SE
DE
SSA if applicable
[Insert Date]

SENT BY FEDERAL EXPRESS

[Insert Addressee's Name]
[Insert Addressee's Title]
[Insert Credit Union's Name]
[Insert CU’s Street Address]
[Insert City], [State Abbrev] [Zip]

Dear [Insert Mr. or Ms. and Last Name]:

I received all the required forms certifying the completion of [Insert Credit Union’s Name and (Acronym)] merger and consolidation of assets and liabilities (merger) of [Insert Bank Name]. Also, I confirmed your payment of [Insert Amount] (conversion examination fee) as required. Please increase the amount of your NCUSIF deposit by an amount equal to one percent of the increase in insured shares resulting from the merger at your earliest convenience. You should verify the consolidated NCUSIF deposit balance when you receive your next share insurance statement or by running a National Credit Union Administration Capitalization Deposit Statement at http://sicapdep.ncua.gov/.

Based on the signed documentation received from your credit union, the effective date of the merger was [Insert Date]. As a reminder, you are required to apply the “acquisition method” of financial accounting as defined by Accounting Standards Codification (ASC) Topic 805, Business Combinations (formerly SFAS 141R).

If you have any questions, please contact Supervision Analyst [Insert Supervision Analyst Name] at [Insert Telephone Number (xxx) xxx-xxxx].

Sincerely,

[Insert Regional Director’s Name]
Regional Director

ecc: [CEO of Credit Union]  
ARDO  
ARDP  
OCFO Mail  
SE  
DE  
SSA if applicable
Pursuant to Delegation SUP 24, I concur with your recommendation to approve the purchase and assumption of [Insert Bank Name] by [Insert Credit Union Name], as set forth in Section 205(b)(1) of the Federal Credit Union Act and § 741.8 of the NCUA regulations.

Attached are the Division of Risk Management review comments. Please contact [Insert Risk Officer Name, email address, and phone number] with any questions.
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<td>Did Reviewer need to request additional information from the region? List information requested.</td>
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<th>Requested Action</th>
<th>Authority. List applicable section of Act, Delegations, etc.</th>
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<td>1. Is the request in compliance with applicable policy and Delegations of Authority? List the applicable delegations.</td>
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<td>2. Has the region met the B-1 and BAM due dates for NCUA Board action, if applicable?</td>
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<td>3. Is the Delegation of Authority SUP 42 Submission Routing and Transmittal Slip properly completed and included in the package (if applicable)? This Form is only used for E&amp;I Delegations of Authority ($2 million to $10 million) to notify the NCUA Board within 5 days after approval date.</td>
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4. If applicable, what is the form, amount, and term of 208 assistance recommended by the region? (put in Comment section)
   - Asset guarantee (Sup3(1))
   - Asset purchase (Sup3(1))
   - Cash payment (Sup3(1))
   - Temporary dividend (Sup3(2))
   - Deficit guarantee (Sup3(1))
   - NCUSIF Subordinated Loan (Sup3(1))
Other (Specify): __________________

5. If applicable, does the credit union qualify for special assistance?

6. Are NCUSIF reserves established and adequate?

7. Did the region request GC concurrence?

8. Short Description of Credit Union Problems Leading to Enforcement Action/Special Assistance:

9. Is the proposed action the right thing to do for the CU membership, the CU, and the NCUSIF?

10. Is the proposed action adequately supported and justified in the materials presented? Does the package stand on its own?

11. Does the package include supporting documentation for resolution alternatives considered (i.e., P&A, conservatorship, 208 Assistance)

12. Are any of the alternatives superior to the requested action?

13. Does the package include pertinent sections of examination reports that support the administrative record?

14. Does the package include a supervision chronology that outlines NCUA supervision since the emergence of the problem?

15. Does the package include the calculation for the Solvency Evaluation (PAS)?

16. Did the region provide all necessary supporting documents to support the request?

For Liquidations/P&A: (also complete memo to RD, SUP routing sheet – if applicable, concurrence tracking spreadsheet)
## Template: Division of Risk Management Review Comments

| 1. Does the package include the calculation of liquidation costs and the AMAC Loan Valuation worksheet? |
|---|---|
| 2. Does the determination of insolvency meet the definition per the NCUA Rules and Regulations |

**For Conservatorships:** (also complete memo to RD, SUP routing sheet – if applicable, concurrence tracking spreadsheet)

| 1. Does the administrative record support the proposed action? If not, are their other less severe actions that should be considered to remedy the issues? |
|---|---|
| 2. Does the package include the Proposed Order of Conservatorship, Confidential Grounds, and the AC and AAC letters? |
| 3. Does the Regional Summary include an outline of the region’s conservatorship plan (Final plan to be finalized within 90 days of conserving)? |
| 4. Does the package provide information on the conservatorship manager/management team to be used during this action? |
| 5. Is conservatorship management adequate? |
| 6. If a FISCU, has the region obtained SSA approval? List date of SSA approval. |

**For Emergency Mergers:** (also complete memo to OGC, concurrence tracking spreadsheet)

| 1. Does the credit union meet the ‘in danger of insolvency’ definition? |
| 2. Explain how the credit union is ‘in danger of insolvency’: |

**For GLOCs:** (also complete GLOC agreement, memo to RD, concurrence tracking spreadsheet, SUP routing sheet to BOD - if applicable and save executed agreement in SSIC 7300)

| 1. List Recommended Maturity Date |
| 2. List Credit Provider |
| 3. List rate |
## Misc Comments:

### For Prior Undivided Earnings Deficit (PUED) - Temporary Dividends

Does the credit union’s request letter include the following information:

- Type of assistance requested.
- Amount of assistance requested.
- Term of assistance.
- Dividend rates, total dividend amount, frequency of payment and dividend rate comparison with local market (temporary dividend).

Signature of appropriate official.

### Misc Comments:

### For Bank Purchases/Mergers: (also complete memo to RD, SUP routing sheet – if applicable, concurrence tracking spreadsheet)

1. Did the region get the approvals from any other regulatory offices?

2. Did the concurrence package address FCU Act §205(c)(1) - the history, financial condition, and management policies of the credit union;

3. §205(c)(2) - the adequacy of the credit union's reserves;

4. §205(c)(3) - the economic advisability of the transaction;

5. §205(c)(4) - the general character and fitness of the credit union's management;

6. §205(c)(5) - the convenience and needs of the members to be served by the credit union;
7. §205(c)(6) - whether the credit union is a cooperative association organized for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes?

8. Did the region perform a review of the bank to be merged or purchased?

**Additional Comments:**

**Recommendation:**

**Approvals:**

________________________

RO

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Director, DRM
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<tr>
<td>Year</td>
<td>Whole Bank / Branches</td>
<td>Region</td>
<td>Application Date (Date of Letter to NCUA)</td>
<td>Decision (Select Applicable Decision)</td>
<td>Decision Date (Date of RD Approval/Denial Letter)</td>
<td>Consummation Date (Date Listed on Certification of Completion)</td>
<td>CU Charter</td>
<td>CU Name</td>
<td>Bank Assets (Assets purchased or Total Bank Assets - Most Recent Quarter End Prior to Application Date)</td>
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</tbody>
</table>
Quality Assurance Program
<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
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</thead>
<tbody>
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- Item 1
- Item 2
- Item 3
- Item 4
- Item 5
- Item 6
Templates

- Specialist feedback form

Last updated March 5, 2019
Regulatory Waivers and other Regulatory Actions

The NCUA applies federal statutes, regulations, and directives to achieve strategic goals and ensure uniformity in application of supervision standards. Regulatory waivers afford flexibility in instances where specific criteria are satisfied. The NCUA processes waiver requests in accordance with regulatory requirements and internal directives.

This section of the NSPM establishes national policy NCUA staff follow when completing work assignments and examination and supervision of regulatory related waivers and other regulatory related actions; it is not inclusive of all types of waivers. E&I will update the NSPM when the NCUA Board adopts a new regulation or revises an existing regulation. Examiners should contact their supervisor for assistance outside the scope of this section of the NSPM.

- Occupancy Waiver
- Earnings Transfer Waiver
- Loan Participation Waiver
- Secondary Capital Plan

Roles and Responsibilities

E&I

E&I is responsible for monitoring periodic risk reports to review trends and issues related to regulatory waivers and other regulatory related actions. E&I also has oversight of this manual and ensures standards are clear and followed by staff through its quality assurance program. E&I will evaluate compliance with this section during routine monitoring of cases, quality assurance reviews, and review of information submitted on required reports. During periodic updates of the NSPM, E&I will solicit comments from other offices to ensure standards remain current and effective.

Regional Office

Regional offices are responsible for having systems and controls in place to ensure standards of this section are met. When reviewing work related to the standards of this section, regional processes must ensure quality work and
accurate administrative records are maintained for regulatory related actions. DOS is responsible for monitoring risk institutionally and on a regional basis.

**Supervisor**

Supervisors are responsible for reviewing and ensuring staff performs quality work which follows the standards of this section of the NSPM. Supervisors are responsible for reviewing and approving work for completeness and accuracy prior to submission to the regional office. Supervisor approval becomes part of the credit union’s administrative record. Supervisors are responsible for monitoring risk institutionally and on a group basis.

**Field Staff**

Examiners are responsible for evaluating credit unions’ regulatory compliance and identifying potential safety and soundness issues when processing work assignments, completing supervision work, and performing examinations. Examiners will use the national standards established in this section of the NSPM to ensure quality and consistent work. The standards in this section also ensure consistent administrative record documentation. Examiners will create an administrative record for recommendations made and actions taken in meeting standards set forth in this section.

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**Processing a Waiver Request**

In general, the following procedures will be used to process a waiver request from a federal credit union. Please refer to each specific waiver type outlined in this section of the NSPM for unique processing steps.

1. **Initial Review (DOS)**

After the regional office receives the credit union’s application, DOS will perform a cursory review to determine whether the credit union request is complete.

If considered incomplete:

- Prepare an incomplete/denial letter and send it to the credit union by the region’s preferred expedited mail delivery
• Ensure the letter lists the additional information the credit union must submit if they would like the request to be considered. DOS will copy the examiner and supervisor on the letter.

If considered complete:

• Prepare an acknowledgment letter and send it to the credit union by the region’s preferred expedited mail delivery service

• Prepare and send a work assignment to the field that includes the credit union’s request, application package, supporting documentation, and request a recommendation for approval or denial

**Review Credit Union and Application (Field Staff)**

Examiners and their supervisor will evaluate the credit union’s net worth, CAMEL and risk ratings, and financial strength, and provide a recommendation whether to grant the request. The scope and depth of the examiner’s review will be scaled according to the materiality of the waiver request.

The examiner, with supervisor approval, will determine if an onsite contact is necessary.

After review, examiners will determine if the waiver package is complete, and take the following actions, based on their determination.

If considered incomplete:

• Draft the appropriate incomplete/denial letter (refer to templates provided), or

• Informally contact the credit union to obtain the missing information

If considered complete:

• Complete a Regional Summary to include an approval or denial recommendation

• Draft a letter for approval, partial approval, deferral, or denial

• Email the approval, partial approval, deferral, or denial letter, Regional Summary, and any supporting documentation to their supervisor

The supervisor will review the information, provide supporting reasons for concurrence or non-concurrence, and forward the package to the region’s DOS mailbox.
If recommending denial, examiners will not discourage any credit union from applying for reconsideration or filing an appeal, if applicable.

**Process Application (DOS)**

Upon receipt of the field’s recommendation, DOS will review and analyze the recommendation for appropriate support and justification. Upon concurrence, DOS will submit the recommendation and proposed response letter to the Regional Director for approval and signature. DOS will mail the signed letter to the credit union using the region’s preferred expedited mail delivery service and copy both the examiner and supervisor.

If DOS and/or the Regional Director do not agree with the field’s recommendation, the supervisor will be notified of the reasons. The field will be given the opportunity to further support or revise their recommendation in the Regional Summary and draft revised correspondence, if necessary. DOS finalizes the response letter for the Regional Director’s signature. Once signed, DOS will mail it to the credit union using the region’s preferred expedited mail delivery service and copy both the examiner and supervisor.

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**Processing a Waiver Request from a FISCU**

Unless otherwise specified by regulation, a FISCU must submit the waiver request to its SSA. If the SSA approves the request, the SSA will forward the request to the Regional Director. A waiver is not effective until approved by the Regional Director. If the SSA denies a request, the Regional Director will also deny it.

Section 741.204 of the NCUA regulations applies to FISCUs and incorporates the § 701.32 requirements.

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**Waiver Timeframes**

The region will respond within the timeframe specified in the applicable regulation or, where not specified, within 45 days from the date a completed request is received in the regional office.
<table>
<thead>
<tr>
<th>Reference</th>
<th>Description</th>
<th>Timeframe</th>
<th>Automatic Approval</th>
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</thead>
<tbody>
<tr>
<td>§ 701.14 c(2)(i), Waiver of Prior Notice – Change in Official or Senior Executive</td>
<td>Parties may petition the appropriate Regional Director for a waiver of the prior notice required. Waiver may be granted if it is found that delay could harm the credit union or the public interest.</td>
<td>None</td>
<td>No</td>
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<tr>
<td>§ 701.21(h), Third-party servicing of indirect vehicle loans</td>
<td>(1) A federally-insured credit union must not acquire any vehicle loan, or any interest in a vehicle loan, serviced by a third-party servicer if the aggregate amount of vehicle loans and interests in vehicle loans serviced by that third-party servicer and its affiliates would exceed: (i) 50 percent of the credit union’s net worth during the initial thirty months of that third-party servicing relationship; or (ii) 100 percent of the credit union’s net worth after the initial thirty months</td>
<td>None</td>
<td>No</td>
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<td>Reference</td>
<td>Description</td>
<td>Timeframe</td>
<td>Automatic Approval</td>
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<tr>
<td>§701.36, Occupancy waiver</td>
<td>The NCUA may waive the requirement for a credit union to partially occupy premises within six years after the date of acquisition. Partially occupy means occupation and use, on a full-time basis, of at least fifty percent of each premises by the FCU, or the FCU and a CUSO in which the federal credit union has a controlling interest. To seek a waiver, a federal credit union must submit a written request to its Regional Office and fully explain why it needs the waiver. The Regional Dir-</td>
<td>Response within 45 days</td>
<td>No</td>
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<td>Reference</td>
<td>Description</td>
<td>Timeframe</td>
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<tr>
<td>§ 701.36, Abandoned premises waiver</td>
<td>The NCUA may waive the requirement for a credit union to dispose of abandoned property within five years of abandonment. To seek a waiver, a federal credit union must submit a written request to its Regional Office and fully explain why it needs the waiver. The Regional Director’s decision will be based on safety and soundness considerations.</td>
<td>RD response within 45 days</td>
<td>No</td>
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<td>§ 701.32(b)(3), Non-member deposits waiver</td>
<td>The NCUA may approve a maximum amount of non-member shares in excess of 20% of total shares or $3 million (whichever is greater). Before accepting non-member shares in excess of the maximum amount, the credit union board</td>
<td>RD response within 30 calendar days</td>
<td>No</td>
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Unless otherwise specified by the RD, exemptions are normally for a two-year period.
### Periodic Review and Revocation of Waivers

Examiners will review outstanding regulatory waivers at every examination. Regions will review outstanding regulatory waivers every three years.\(^1\) This requirement applies to any waiver that involves authority for ongoing activity (as opposed to a waiver for a single action).

\(^1\)The three year timeframe review began July 1, 2012.

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<th>Reference</th>
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<th>Timeframe</th>
<th>Automatic Approval</th>
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<tbody>
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<td>§ 701.22(c), Loan participation waiver</td>
<td>of directors must adopt a specific written plan concerning the intended use of these shares and forward a copy of the plan to the Regional Director for determination.</td>
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<td>The NCUA may approve a waiver from internal policy requirements concerning loan participation purchases. To seek a waiver, the credit union must submit a written request to its Regional Director. Waivers from federally insured state-chartered credit unions required concurrence of the appropriate SSA.</td>
<td>RD response within 45 calendar days</td>
<td>No</td>
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</table>
The Regional Director may revoke a credit union’s waiver, in whole or in part, for substantive, documented safety and soundness reasons. When revoking a waiver, the Regional Director must give written notice to the credit union stating the reasons for the revocation. The notice should also discuss where applicable the treatment and/or grandfathering of activities conducted while the waiver was in force. The revocation is effective upon the credit union’s receipt of the letter from the Regional Director.

Examiners should first discuss revocation with their supervisor. Examiners will submit a revocation package to their supervisor consisting of a memo, a draft letter, and any other documentation necessary to justify the revocation. The supervisor will send the revocation package to the region’s DOS mailbox. The memo will include a discussion of:

- Background of the credit union and the problems
- Substantive safety and soundness justification
- Net worth and solvency considerations
- Outstanding administrative and/or documented corrective action

DOS will review the recommendation. If in agreement, DOS will prepare a concurrence summary to the Regional Director along with the field memo and draft letter. Upon signature, the revocation letter will be sent via expedited mail with a copy to the examiner and supervisor, and SSA if applicable.

A credit union has 60 days from the date of revocation to appeal the action to the NCUA’s Supervisory Review Committee (SRC). If the SRC upholds the revocation, the credit union has 60 days from the date of the SRC’s decision to appeal the action to the NCUA Board.

For more information about the Supervisory Review Committee, see IRPS 11-1, Supervisory Review Committee (as amended by IRPS 12-1).

Waiver Monitoring

DOS and E&I are responsible for monitoring the consistency, soundness and appropriateness of regulatory waivers. E&I is responsible for evaluating consistency with policies and evaluating the overall trends in risk.
1. **DOS Reporting Responsibilities**

- DOS will maintain supporting documentation for each approval/denial in the corresponding charter files.

- Regions will maintain reports that will track all regulatory waivers.¹

- Regions will submit a list of the waivers granted, revoked, and outstanding to E&I on a semiannual basis.² At a minimum, listings will include:
  - Charter
  - Name
  - Assets
  - CAMEL rating (composite and component ratings)
  - Type of action
  - Action date
  - Resolution date (where applicable)
  - Status, expiration date (where applicable)
  - Comments

- Regions will provide a posting of all outstanding regulatory waivers on SharePoint and implement a process to review regulatory waivers every three years.

**E&I Reporting Responsibilities**

- Review regional activity on a semiannual basis as a means of tracking regional and national trends for consistency and policy development

- Issue an annual national summary of the regional reports analyzing national trends

¹Until a national database/tool is developed, regions will continue to use reporting systems currently in place. Regions should ensure their current systems capture the required information.

²E&I is developing a platform to capture this information.
Periodically request a sampling of actions taken under this section of the NSPM for quality control purposes as part of our ongoing quality assurance process.

Occupancy Waiver

Excess space is only acceptable when a federal credit union bases a purchase on future needs as outlined in § 701.36 of the NCUA's regulations.

The following templates related to occupancy waivers are available:

- Respond to Incomplete Request for Occupancy Waiver
- Acknowledge Request for Occupancy Waiver
- Regional Summary of Occupancy Waiver Request
- Approve Request for Occupancy Waiver
- Deny Request for Occupancy Waiver

Acquired Premises for Future Expansion

For premises acquired for the purpose of future expansion, an FCU must partially occupy any within a reasonable period, but no later than six years after the date of acquiring the premises.

Partially occupy means occupation and use, on a full-time basis, of at least fifty percent of each premises by the FCU, or the FCU and a CUSO in which the federal credit union has a controlling interest. An FCU must submit a written request for a waiver from the partial occupancy provision or to exceed the six year timeframe.

Abandoned Property

After premises have been abandoned for four years, an FCU must publicly advertise the property for sale. The federal credit union must complete the sale within five years of abandonment, unless the NCUA waives this requirement.

To seek a waiver of the either the partial occupancy requirement or disposal of abandoned property, an FCU must submit a written request to its regional office that fully explains why the FCU needs such a waiver. The Regional
Director will base his or her decision on the reasonableness of achieving compliance with the occupancy provisions.

Requests which represent an effort to circumvent the occupancy provisions will be denied. The Regional Director will provide the FCU a written response, either approving or denying the waiver request, within 45 days of the completed request.

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**Occupancy Waiver Templates**

- Respond to Incomplete Request for Occupancy Waiver
- Acknowledge Request for Occupancy Waiver
- Regional Summary of Occupancy Waiver Request
- Approve Request for Occupancy Waiver
- Deny Request for Occupancy Waiver

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Last updated March 24, 2017

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Last updated January 27, 2016
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Earnings Transfer Waiver

Sections 702.201 and 702.303 of the NCUA regulations address earnings transfer requirements for credit unions subject to PCA.

The following templates related to earnings transfer waivers are available:

- **Respond to Incomplete Request to Decrease Earnings Transfer Requirements**
- **Approve Request to Reduce Earnings Transfer Requirement**
  - Sections of this template apply onto to FICUs with undivided earnings deficits
- **Deny Request to Reduce Earnings Transfer Requirement**
- **Regional Summary of Decrease in Earnings Transfer Requirement**

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Earnings Retention

Beginning the effective date of classification as “adequately capitalized” or lower (less than seven percent net worth), credit unions must increase the dollar amount of their net worth quarterly by at least 0.1 percent of total assets. The 0.1 percent may be calculated from current quarter earnings or from average earnings over the current and three preceding quarters. A transfer of this amount or greater must be from Undivided Earnings to Regular Reserves on a quarterly basis until the credit union becomes “well capitalized.” New credit unions must also increase their net worth quarterly but by the amount reflected in their approved initial or RBP. In the absence of such a plan a new credit union must increase their net worth quarterly in accordance with § 702.201.

There is always a quarter lag between when a credit union becomes less than well capitalized and when it needs to meet the earnings retention requirements and make a required reserve transfer. For example: XYZ Credit Union, whose net worth category declined to “adequately capitalized” as of March 31, is not required to meet the earnings requirement or make a reserve transfer that quarter because the effective date of its net worth classification is not until April 30. However, starting the quarter-ending June 30, the credit union will need to:
Increase net worth quarterly and make an earnings transfer

Request a reduction of the Earnings Transfer requirement if it projects it will not meet the quarterly earnings requirement

Request approval from both the quarterly earnings and reserve transfer requirements if it projects it will not meet the quarterly earnings requirement and also has insufficient Undivided Earnings to make the required quarterly reserve transfer; or

Request approval to pay dividends from the Regular Reserve as a transfer to the Undivided Earnings account when a deficit in Undivided Earnings exists

Reduction of the Earnings Transfer Requirement

A credit union must submit a written request seeking approval to reduce the amount of earnings transfer no later than 14 days before the quarter-end if it cannot meet the earnings and transfer requirements. Examiners should be aware of and work with any credit unions that must meet the quarterly requirements.

At a minimum, requests for approval from the credit union must explain how the reduction in the earnings requirement is necessary to avoid a significant redemption of shares and further the purposes of PCA. “Furthering the purposes of PCA” can be documented by briefly explaining why the credit union could not meet the quarterly earnings requirement and how management plans to resolve the earnings problem and increase net worth to meet PCA’s capitalization requirements in future periods. Requests for approval that do not provide this basic information will not be processed.

Examiners must document and determine a lesser amount a) is necessary to avoid a significant redemption of shares and b) would further the purpose of PCA (as noted in § 702.201(b)).

The Regional Director may also approve the reduction in earnings retention and the earnings transfer during the processing and approval of an NWRP. If the credit union projects earnings will not meet the earnings retention requirements during any quarter the plan covers, they may request approval for the quarter(s) when they submit their plan to the regional office.
When the plan is approved, the reduction in earnings transfer is also approved. However, if a credit union originally projected that earnings will be sufficient in its plan and then subsequently fails to meet the requirements, the appropriate request for approval must be submitted within the above timeframe.

In the case of a state-chartered credit union, the supervisor will request concurrence via phone or e-mail from the appropriate SSA. The SSA will also be copied on the Regional Director’s letter to officials approving or denying the request. Examiners will note whether the SSA concurs with approval or denial for FISCUs in the Regional Summary. Section 702.205(c) no longer includes the earnings retention requirement of § 702.201 as a discretionary supervisory action. This means SSAs cannot unilaterally approve earnings retention waiver requests from a FISCU.

Templates

- Respond to Incomplete Request to Decrease Earnings Transfer Requirements
- Regional Summary of Decrease in Earnings Transfer Requirement
- Approve Request to Reduce Earnings Transfer Requirement
- Deny Request to Reduce Earnings Transfer Requirement
Template: Respond to Incomplete Request to Reduce Earnings Transfer Requirement
Loan Participation Waiver

Section 701.22(b)(5) of the NCUA regulations establishes single originator and single borrower concentration limits for federally insured credit unions. Section 701.22(c) permits federally insured credit unions to request a waiver of these limitations from the appropriate Regional Director.

In addition to the information provided in this manual, examiners will reference Supervisory Letter 13-04, Supervision Guidance on Loan Participation Waivers, when reviewing waiver requests under § 701.22(c). The supervisory letter was also issued under Letter to Credit Unions 13-CU-07, Loan Participation Waivers.

The following templates related to loan participation waivers are available:

- Respond to Incomplete Request for Loan Participation Limit Waiver
- Acknowledge Request for Loan Participation Limit Waiver
- Regional Summary of Loan Participation Limit Waiver
- Approve Request for Loan Participation Limit Waiver
- Deny Request for Loan Participation Limit Waiver

Field Staff Responsibilities

Examiners and their supervisors are responsible for evaluating the risk posed by the loan participation waiver request. During the evaluation, the examiner should review all pertinent documents and information to determine if an onsite contact is necessary.

If this is a new program or the examiner does not have historical information to draw upon, strong consideration to go onsite to evaluate the participation program and the credit union’s current business strategy should be given. If the waiver is complex, the examiner and/or supervisor should consider seeking assistance from an RLS who may be able to offer additional support for concurrence or denial.

Last updated July 29, 2015
Templates

- Respond to Incomplete Request for Loan Participation Limit Waiver
- Acknowledge Request for Loan Participation Limit Waiver
- Regional Summary of Loan Participation Limit Waiver
- Approve Request for Loan Participation Limit Waiver
- Deny Request for Loan Participation Limit Waiver

Last updated July 29, 2015
TEMPLATE: Respond to Incomplete Request for Loan Participation Limit Waiver
### Regional Summary of Loan Participation Limit Waiver

<table>
<thead>
<tr>
<th>Loan Participation Limit Waiver Details</th>
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<tbody>
<tr>
<td>Loan Amount</td>
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<tr>
<td>Participation Limit</td>
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<tr>
<td>Waiver Granted</td>
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<td>Approval Date</td>
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<td>Loan Type</td>
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<td>Purpose</td>
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<td>Interest Rate</td>
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<td>Term</td>
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<td>Collateral</td>
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<td>Security</td>
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<tr>
<td>Documentation</td>
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<tr>
<td>Approval Authority</td>
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</tbody>
</table>

- Loan Amount: [Details]
- Participation Limit: [Details]
- Waiver Granted: [Details]
- Approval Date: [Details]
- Loan Type: [Details]
- Purpose: [Details]
- Interest Rate: [Details]
- Term: [Details]
- Collateral: [Details]
- Security: [Details]
- Documentation: [Details]
- Approval Authority: [Details]
TEMPLATE: Deny Request for Loan Participation Limit Waiver
Secondary Capital

Section 107(6) of the Federal Credit Union Act authorizes federal credit unions serving predominantly low-income members to receive shares, share drafts and share certificates from non-members. In order to use this authority, a federal credit union must receive a low income designation from its Regional Director. These credit unions are considered low income credit unions. See the NCUA's Low Income Designation Fact Sheet for more information on the low-income designation process.

NCUA regulations § 701.34 and § 741.204 allow federally insured credit unions designated with low-income status to accept secondary capital accounts from non-natural person members and non-natural person nonmembers subject to certain conditions (see Required Information). Increased capital is intended to enable FICUs to support greater lending and improve other financial services for the limited income groups and communities they serve.

Certain restrictions are placed on these accounts. Foremost is the accounts may be offered only to organizational investors, not to natural person members or other natural person investors. The regulation requires written notice from the LICU and Regional Director approval prior to accepting secondary capital accounts.

Secondary Capital Plans

Low-income designated credit unions may accept secondary capital accounts in accordance with the NCUA's regulations § 701.34(b).

Under § 701.34(b)(1), prior to accepting any uninsured secondary capital accounts, a LICU's board of directors must adopt a Secondary Capital Plan and forward it to the appropriate NCUA Regional Director for approval. LICUs that are also FISCUs must submit the plan to both the Regional Director and the SSA for approval in accordance with § 741.204(c).

Required Information

Each secondary capital plan must meet the minimum regulatory requirements outlined in § 701.34(b)(1), which require a credit union to:
- State the maximum aggregate amount of uninsured secondary capital the LICU plans to accept
- Identify how the secondary capital will be used, and how it will be repaid
- Explain how the LICU will provide for liquidity to repay the secondary capital accounts upon maturity of the accounts
- Demonstrate that the planned uses conform with the LICU’s strategic plan, business plan and budget, and
- Include supporting pro-forma financial statements, including any off-balance sheet items, covering a minimum of the next two years

**Approval Timeframe**

Approval is automatic if a LICU is not notified that the plan was approved or disapproved by the appropriate Regional Director within 45 days of receipt.

**Secondary Capital Account Requirements**

Secondary capital accounts accepted by a LICU must meet various regulatory requirements, including:

- The secondary capital account must be established as an uninsured secondary capital account of other form of non-share account
- The maturity of the secondary capital account must be a minimum of five years
- The secondary capital account will not be insured by the NCUSIF or any governmental or private entity
- The secondary capital account investor’s claim against the LICU must be subordinate to all other claims including those of shareholders, creditors, and the NCUSIF
- Funds deposited into a secondary capital account, including interest accrued and paid into the secondary capital account, must be available to cover losses realized by the LICU that exceed its net available reserves (exclusive of secondary capital and allowance accounts for loan and lease losses), and to the extent the funds are so used, the LICU must not restore or replenish the account under any circumstances
(See §701.34(b)(7) for additional requirements related to interest payments and loss distribution for secondary capital accounts.)

- The secondary capital account may not be pledged or provided by the account investor as security on a loan or other obligation with the LICU or any other party

- A secondary capital account contract agreement must be executed by an authorized representative of the account investor and of the LICU reflecting the terms and conditions mandated in §701.34 of the NCUA’s regulations, and any other terms and conditions not inconsistent with regulatory requirements

- An authorized representative of the LICU and of the secondary capital account investor each must execute a “Disclosure and Acknowledgment” as set forth in the Appendix to §701.34 at the time of entering into the account agreement

See §701.34 for additional accounting and recordkeeping requirements.

**DOS Initial Responsibilities**

Within five calendar days of the regional office receiving a plan, DOS will perform a cursory review to determine whether the plan and proposed secondary capital account(s) meet the minimum regulatory requirements.

If a plan does not address the required elements of §701.34(b)(1) or the proposed secondary capital account(s) does not meet regulatory requirements, DOS will:

- Contact the credit union to obtain the missing information, or

- Prepare an incomplete or denial letter and send it to the credit union by the region’s preferred expedited mail delivery
  - Use the Respond to Incomplete Proposed Secondary Capital Plan template if the Regional Director opts to defer the request, and ensure the letter lists the required information the credit union must submit for the region to reconsider the plan.

  - Use the Deny Secondary Capital Plan template if the Regional Director opts to deny the plan.
DOS will copy the examiner, supervisory examiner, and SSA, if applicable, on the letter.

If a plan addresses the required elements of § 701.34(b)(1) and the proposed secondary capital account(s) meets regulatory requirements, DOS will:

- Prepare and send an acknowledgment letter to the credit union using the region’s preferred expedited mail delivery service (for a FISCU, DOS will copy the SSA on the letter)
- Prepare and send a work assignment to the field that includes the credit union’s request, the plan, supporting documentation, and request a recommendation for approval or denial

**Field Staff Review Responsibilities**

Examiners, their supervisor, and, when appropriate, Regional Capital Markets Specialists will evaluate a credit union’s plan. In evaluating the plan, field staff will:

- Complete the Secondary Capital Questionnaire
  - Field staff may not request credit union officials or employees fill out the questionnaire, which is strictly for NCUA field staff use as a guide when reviewing Secondary Capital Plans. See the Capital Section (under development) of the Examiner’s Guide for additional guidance on reviewing Secondary Capital Plans.
- Contact the credit union to conduct an interview with management (field staff may use the Secondary Capital Questionnaire as a guide for the conversation)
- Complete a Regional Summary to include an approval or denial recommendation
- For federal credit unions, draft a letter to approve or deny the proposed plan using the appropriate template
  - A letter informing the credit union of denial must identify required documentation under § 701.34(b)(1) that is missing or insufficient. The denial letter must also discuss any related unsafe and unsound condition, including why it is considered unsafe and unsound. Denial letters should not instruct a credit union to resubmit the plan.
  - Email the approval or denial letter (for federal credit unions), the Regional Summary, and any supporting documentation to their supervisor
The field supervisor will review the information, provide supporting reasons for concurrence or non-concurrence, and forward the package to the region’s DOS mailbox.

**DOS Processing and Review Responsibilities**

Upon receipt of an examiner’s recommendation, DOS will review and analyze the recommendation for appropriate support and justification.

If DOS and/or the Regional Director do not agree with the field recommendation, the reasons for the different conclusion will be discussed with the field supervisor. The field will be given the opportunity to further support or revise their recommendation. Regions may consult with the Office of Examination and Insurance during the review process.

Regional Directors have the authority to approve secondary capital plans. Concurrency from E&I is not required. E&I is available to provide additional expertise in the analysis and can provide assistance with the correspondence related to the Regional Director’s decision.

DOS finalizes the response letter for the Regional Director’s signature:

- For federal credit unions, DOS will send the response letter directly to the credit union
- For FISCUs, DOS will send a letter with the Regional Director’s concurrence for approval to the SSA
- In the case of disapproval, DOS will send a letter with the Regional Director’s disapproval to both the SSA and the credit union

**Regional Director Responsibilities**

Regional Directors will only approve secondary capital plans if:

- All information required under § 701.34(b)(1) was included in the plan or provided as support
- The proposed secondary capital account(s), and all other actions outlined in the plan (for example, lending and borrowing), comply with applicable regulatory requirements
- The acceptance and use of the secondary capital does not create an unsafe and unsound condition
For FISCUs, the SSA must grant or deny the request with the concurrence of the Regional Director, in accordance with § 741.204(d).

Secondary Capital Redemptions

The board of directors of a LICU may submit a written request to redeem secondary capital to the Regional Director for approval. Under § 741.204(d) of the NCUA’s regulations, a FISCU must also submit the request to the SSA, which will approve or deny the request with the concurrence of the Regional Director.

Section 701.34(d)(1) contains the minimum requirements to redeem secondary capital:

- The credit union has a post-redemption net worth classification of “adequately capitalized” under part 702
- The discounted secondary capital has been on deposit at least two years
- The discounted secondary capital will not be needed to cover losses prior to the final maturity of the account
- The credit union’s books and records are current and reconciled
- The proposed redemption will not jeopardize other current sources of funding, if any, to the credit union, and
- The request to redeem is authorized by resolution of the LICU’s board of directors

The request to redeem discounted secondary capital may be approved in whole or in part.

1. Required Information

The Secondary Capital Redemption request must be submitted in writing, specify the increment(s) to be redeemed and the schedule for redeeming any part of the eligible increment, and must demonstrate the LICU can meet the minimum requirements of § 701.34(d)(1).

Credit unions may only redeem secondary capital that is not recognized as net worth under § 701.34(c)(2) in accordance with the remaining maturity schedule.
Approval Timeframe

If a LICU is not notified of approval or denial within 45 days of receipt of a request for approval to redeem, it may proceed to redeem secondary capital as proposed.

DOS Initial Responsibilities

Within five calendar days of the regional office receiving the SCR, DOS will perform a cursory review to determine whether the request meets the minimum requirements of § 701.34(d)(1).

If the SCR is considered incomplete, DOS will:

- Contact the credit union to obtain the missing information, or
- Prepare an incomplete or denial letter and send it to the credit union by the region’s preferred expedited mail delivery, and copy the examiner, supervisory examiner, and SSA (if applicable) on the letter
  - Use the Respond to Incomplete Proposed Secondary Capital Redemption template if the Regional Director opts to defer the request. Ensure the letter lists the required information the credit union must submit for the region to reconsider the plan.
  - Use the Deny Secondary Capital Redemption template if the Regional Director opts to deny the plan.

If the SCR is considered complete, DOS will determine whether the credit union qualifies for streamlined approval.

To qualify for streamlined approval, the credit union must meet the minimum requirements specified in § 701.34(d)(1) of the NCUA's regulations and the following criteria:

- Composite CAMEL rating of 1 or 2
- The credit union has properly recognized costs and impairments consistent with GAAP
- Net worth trends are stable or growing, and the credit union will have a post-redemption net worth classification of “well capitalized” under part 702
The credit union’s post-redemption capital level will remain sufficient relative to any extraordinary risks associated with its financial and operational activities.

If the federal credit union meets the requirements for streamlined approval, DOS will prepare an approval letter and send it to the credit union by the region’s preferred expedited mail delivery service. For FISCUs, DOS will send a letter with the Regional Director’s concurrence for approval to the SSA.

If a credit union does not meet the requirements for streamlined approval, DOS will:

- Prepare and send an acknowledgment letter to the credit union using the region’s preferred expedited mail delivery service (For FISCUs, DOS will copy the SSA on the letter.)

- Prepare and send a work assignment to the field that includes the credit union’s request, the SCR, supporting documentation, and request a recommendation for approval or denial

**Field Staff Review Responsibilities**

If assigned, the examiner will evaluate the credit union’s SCR request. After evaluating the SCR request, the examiner will:

- Complete a Regional Summary to include an approval or denial recommendation

- Draft a letter to approve (or partially approve) or deny the request using the appropriate template
  - Approve Request to Redeem Secondary Capital
  - Deny Request to Redeem Secondary Capital

- Email the letter, the Regional Summary, and any supporting documentation to their supervisor

The supervisor will review the information, provide supporting reasons for concurrence or non-concurrence, and forward the package to the region’s DOS mailbox.

**DOS Processing and Review Responsibilities**

Upon receipt of the examiner’s recommendation, DOS will review and analyze the recommendation for appropriate support and justification.
If DOS and/or the Regional Director do not agree with the field recommendation, the reasons for the different conclusion will be discussed with the field supervisor. The field will be given the opportunity to further support or revise their recommendation.

DOS finalizes the response letter for the Regional Director’s signature. For federal credit unions, DOS will mail the signed letter to the credit union using the region’s preferred expedited mail delivery service and copy both the examiner and supervisor.

For FISCUs, DOS will send a letter with the Regional Director’s concurrence for approval to the SSA. In the case of disapproval, DOS will send a letter with the Regional Director’s disapproval to both the SSA and the credit union.

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**Secondary Capital Plan Application Templates**

- Respond to Incomplete Proposed Secondary Capital Plan
- Acknowledge Submission of Secondary Capital Plan
- Regional Summary of Secondary Capital Plan Application
- Approve Secondary Capital Plan with Contingency
- Approve Secondary Capital Plan
- Deny Secondary Capital Plan
- Secondary Capital Plan Questionnaire

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**Secondary Capital Redemption Request Templates**

- Acknowledge Request to Redeem Secondary Capital
- Regional Summary of Request to Redeem Secondary Capital
- Approve Request to Redeem Secondary Capital
- Deny Request to Redeem Secondary Capital

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Last updated July 31, 2018
TEMPLATE: Respond to Incomplete Proposed Secondary Capital Plan
TEMPLATE: Acknowledge Submission of Secondary Capital Plan
TEMPLATE: Approve Secondary Capital Plan with Contingency
Dear Mr./Mrs. Name:

[Redacted]

Sincerely,

[NAME]
Regional Director
TEMPLATE: Acknowledge Request to Redeem Secondary Capital
### Regional Summary of Request to Redeem Secondary Capital

<table>
<thead>
<tr>
<th>Region</th>
<th>Requested Capital</th>
</tr>
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<tbody>
<tr>
<td>North</td>
<td>$100,000</td>
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<tr>
<td>South</td>
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<td>East</td>
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</tr>
<tr>
<td>West</td>
<td>$90,000</td>
</tr>
<tr>
<td>Central</td>
<td>$150,000</td>
</tr>
</tbody>
</table>

Note: The table above represents the requested capital for each region. The total requested capital is $640,000.
TEMPLATE: Approve Request to Redeem Secondary Capital

Date

[Redacted]
Templates

Templates are available for the following regulatory waivers and other regulatory actions:

- Occupancy Waiver
- Earnings Transfer Waiver
- Loan Participation Waiver
- Secondary Capital Plan

Last updated September 15, 2017
Unauthorized Access to Member Information

Part 748, Appendix B, of the NCUA's regulations requires a credit union to notify the appropriate NCUA Regional Director as soon as possible when it becomes aware of an incident involving unauthorized access to, or use of, sensitive member information. The rule and guidance accompanying the rule call for credit unions to conduct a risk-based evaluation of security breaches, but do not require notice to the NCUA in every instance. NCUA Legal Opinion Letter 06-0332, Re: Components of Security Response Program., clarifies that credit unions are not required to notify the NCUA if an incident of unauthorized access to member information involves little or no likelihood of harm to the member. FISCUs must also notify the applicable SSA in the event of an incident.

The NCUA reviews notifications received from credit unions to ensure the agency has direct knowledge of any potential issues, and can follow-up (onsite or offsite) on matters appropriately. The procedures in the NSPM provide a framework for assessing the effectiveness of a credit union’s response plan and ensuring supervision plans are commensurate with the risk.

Member information is defined in Appendix A of part 748, and means any record containing nonpublic personal information about a member, whether in paper, electronic, or other form, maintained by or on behalf of a credit union.

Sensitive member information means a member's name, address, or telephone number, in conjunction with the member's social security number, driver's license number, account number, credit or debit card number, or a personal identification number or password that would permit access to the member's account. Sensitive member information also includes any combination of components of member information that would allow someone to log onto or access the member's account, such as user name and password or password and account number.

This section of the NSPM includes the following information:

- Roles and responsibilities
- Process notifications
• Assess response plan effectiveness
• Ensure supervision plans are commensurate with risk

Roles and Responsibilities

Field Staff

• Review notifications forwarded by DOS
• Discuss the incident, the credit union’s corrective actions, and other relevant factors with the assigned supervisor to assess the appropriateness of supervision plans
• Coordinate mutually agreeable supervision plans with DOS and the ARDP (or ARDO, for Special Actions cases) if warranted
• Execute supervision plans
• If a 60 day follow-up is warranted, document the results of the review in the Regional Summary, draft the closing letter, and forward to DOS within 60 days of the original notification date
• For FISCUs, collaborate with the SSA in the assessment of the incident and any changes to supervision plans as warranted

Coordination with the SSA will vary, as it depends on the working arrangement with each SSA. For example, some SSAs may review all incidents jointly with the NCUA, while others may defer to the NCUA’s review. After consulting with the SSA, the NCUA may defer follow-up to the SSA, and adjust supervision plans to review the results of the SSA’s contact. However, there may be instances when the SSA has agreed to review an incident, but the NCUA has determined that the complexity of the situation warrants the participation of an NCUA specialist. Overall, the SE is responsible for initial coordination with the SSA on supervision plans.

Regional Division of Supervision

• Review notifications and record them in the appropriate regional tracking system
  • Forward any FISCU notification to the applicable SSA as soon as possible, if the SSA has not already been notified by the credit union
• Forward notifications to the assigned field staff as soon as possible, generally within five business days

• Recommend changes to supervision plans as warranted

• Coordinate with the assigned supervisor to arrive at an agreed upon approach
  • See Ensure Supervision Plans are Commensurate with Risk for guidance.
  • DOS may use the optional IT Incident Checklist to coordinate supervision plans with the field.

• Draft an acknowledgement letter to the credit union no later than 30 days from receipt of a notification
  • Letter should coincide with the agreed-upon supervision plans
  • DOS will copy assigned field staff should when the letter is distributed

• If a 60 day follow-up is warranted (for example, if the scope of a breach is unknown, systems remain compromised, members have not been notified, or appropriate corrective actions have not been taken or planned), DOS will:
  • Draft a work assignment to the field
  • Review the field’s completed Regional Summary and document a final recommendation in the approval portion of the document
  • Process the closing letter to the credit union no later than 14 days from receipt of the Regional Summary, and copy assigned field staff when the correspondence is distributed

• Post copies of all original notifications, Regional Summaries, and response letters to the E&I SharePoint Post Office as documents are finalized

E&I

• Maintain a log of reported instances of unauthorized access to sensitive member information

Last updated September 15, 2017
Process Notifications

In practice, the timing and content of notifications of unauthorized access to member information will vary. Some may be provided when a credit union begins its investigation, while others may be provided after a credit union has completed its investigation and has taken corrective actions.

In general, credit unions will send a notification directly to the regional office. However, if field staff are notified of an incident not otherwise reported by a credit union, they should immediately notify their supervisor and determine whether the notification warrants being forwarded to the regional office. Any notifications of unauthorized access to member information received pursuant to part 748 of the NCUA's regulations should be forwarded to DOS for processing.

If the NCUA determines that a credit union has not reported an incident (for example, if the field becomes aware of a media article regarding a breach), the acknowledgment letter sent to the credit union will include commentary on reviewing the credit union’s information security program and Gramm-Leach-Bliley Act compliance at the next examination.

Once a notification is received, DOS is responsible for coordinating with field staff to assess the effectiveness of a credit union’s response plan and for ensuring supervision plans are commensurate with risk.

Assess Response Plan Effectiveness

When assessing a credit union’s response plan and any recommended changes to supervision plans, staff should consider the inherent risk of the compromised information, as well as any corrective actions the credit union has taken.

A notification received at the start of a credit union’s investigation may not contain much information other than the credit union’s discovery of a breach that could negatively impact members. If a notification indicates there is risk of potential harm to a member, but provides little additional information, field staff should recommend altering supervision plans to promptly follow-up on the issue.

If a notification is received after the credit union has concluded its investigation and implemented corrective actions, a more comprehensive assessment of the
credit union’s response plan may be possible, and may result in fewer changes to supervision plans.

Ensure Supervision Plans are Commensurate with Risk

Supervision plans must be commensurate with risk, and will vary based on the circumstances surrounding an incident. The materiality of unauthorized access to member information is based on the risk to members rather than the risk to the share insurance fund. The urgency and scope of the field’s follow-up will coincide with the risk of potential harm to the members affected by a compromise.

To help determine if supervision are commensurate with risk, field staff should refer to the following decision tree:

If a notification indicates there has been unauthorized access to sensitive member information and appropriate corrective actions have not been executed or planned, field staff must alter supervision plans to conduct a follow-up assessment within 60 days and report the results of the review to the regional office.

When evaluating supervision plans based on safety and soundness, if the risk to a credit union is deemed material, more immediate supervision must be scheduled. This is the case even if a credit union has outlined plans to respond to the incident. If the risk is not material from a safety and soundness perspective, follow-up may be deferred to a later date such as the next scheduled examination or supervision contact (onsite or offsite).
DOS will recommend changes to supervision plans based on the information provided in a notification. DOS should consult with specialists, such as RISOs, for assistance on complex matters as needed.

Field staff will further assess the effectiveness of the credit union’s response plan in relation to the risk of potential harm to the members, and DOS’s recommended supervision plans. Field staff should also utilize specialist assistance on complex matters as needed, following regional procedures accordingly.

Ultimately, DOS and field staff should come to an agreement on what constitutes appropriate supervision plans after a notification is received. In the event that DOS and field staff do not agree on supervision plans, DOS will escalate the matter to the ARDP (or ARDO for Special Actions cases), who will evaluate the appropriateness and timeliness of supervision plans. Each region will also establish monitoring procedures for completion of 60 day follow-up reviews and any timeframe extensions granted by the ARDP on an exception basis.

Given the nature of the incident, the member notification, and the corrective actions planned, field follow-up may be deferred until the next scheduled exam or contact.

**Example:** A notification indicates there was an incident involving unauthorized access to sensitive member information, and the credit union is in the preliminary stages of a forensic audit to identify the extent of the breach. It is unclear how many members may have been affected. Supervision plans should be adjusted to actively monitor the situation, and ensure the credit union takes appropriate corrective actions including notifications to affected members. Field follow-up should be completed within 60 days, and the results reported to the regional office.

**Example:** A notification indicates an ATM skimmer compromised the plastic cards used at an ATM over the weekend. The credit union has made any members who reported fraudulent transactions whole, notified all affected members of the incident, and plans to close and reissue the affected cards. Until then, enhanced transaction monitoring is already in place.

Given the nature of the incident, the member notification, and the corrective actions planned, field follow-up may be deferred until the next scheduled exam or contact. However, review of the credit union’s controls over ATM security, including routine physical inspections, may also be
recommended for consideration either via offsite contact or at the next scheduled exam or contact.

**Example:** A notification indicates an employee accidentally emailed an auto insurance policy with sensitive member information to the wrong email address. The notification also describes the corrective actions taken including formal notification to the members, additional training for credit union personnel, and providing the affected members with an identity theft protection product. Given the nature of the incident, the member notification, and the corrective actions taken, no changes to supervision plans appear warranted.

**Example:** A notification indicates the credit union’s card processor informed them that cards used at a national retailer may have been compromised. The credit union’s notification also references national media coverage of the retailer’s public announcement on the matter. The credit union notified all members of the incident via their website, and plans to close and reissue the affected cards. Until then, enhanced transaction monitoring is already in place. Given the nature of the incident, the member notification, and the corrective actions planned, field follow-up may be deferred until the next scheduled exam or contact.

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**Templates**

- Acknowledge Notification of Unauthorized Access to Member Data
- Regional Summary of Unauthorized Access to Member Data
- Respond to Notification of Unauthorized Access to Member Data (sample)
- IT Incident Checklist (sample)
- Acknowledge Letter for Deferred Follow-up (sample)
- Acknowledge Letter for 60 Day Follow-up (sample)
- Work Assignment Memo for 60 Day Follow-up (sample)
- Closing Letter (sample)
Template: Acknowledge Notification of Unauthorized Access to Member Data

[Redacted text]
Template: Regional Summary for Review of Unauthorized Access to Member Information

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<tr>
<th>Month</th>
<th>Quantity</th>
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<tr>
<td>November</td>
<td></td>
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<tr>
<td>December</td>
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</tbody>
</table>
Sample: Respond to Notification of Unauthorized Access to Member Data
Template: IT Incident Checklist (Unauthorized Access to Member Information)
Sample: Acknowledgement Letter for Deferred Follow-up
Sample: Acknowledgement Letter for 60 Day Follow-up
Sample: Closing Letter
Work Classification Codes

Examiners use work classification codes on weekly time reports. An AIRES upload must be used to report the time in the examination and supervision system for time codes with "AIRES" noted in the definition column of the sections listed below. For any other program time code, an AIRES upload is optional, as directed by regional management. The most current NCUA Instruction 5000.13, Work Classification Code Definitions, establishes policy regarding the use of WCCs.

- General codes
- Administrative codes
- Subject matter examiner codes
- Office of Consumer Financial Protection codes

Reporting SME Time

Staff will record SME time spent working in their specialty area or providing/receiving training in a particular specialty in TMS.NET using the SME Type and SME Hours columns. These columns should be used for examination and supervision work, training, or any other administrative time associated with an SME area. The SME Hours column is not expected to reconcile with the hours reported in the WCC column.

Reporting Specialist Time

Specialists (RLS, RCMS, RISO, PSS) will record time spent working in their particular specialty area or providing/receiving training in TMS.NET using the Specialist Type and Specialist Hours columns. This includes examination and supervision work, training, or any other administrative time associated with a specialist area not reported in WCC 05, WCC 07, or WCC 19.

General Work Classification Codes

<table>
<thead>
<tr>
<th>Classification</th>
<th>WCC</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Credit union consulting - MERIT</td>
<td>02</td>
<td>Examiner time used to discuss new exam-</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<tr>
<td>Lending Specialists</td>
<td>05</td>
<td>Initiation processes related to MERIT with a credit union.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Analysis of specialized loan programs. Time spent on specialized lending assignments by lending specialists not directly related to a specific credit union or credit union examination (for example, researching loan related topics, developing training materials and training staff, mentoring examiners, and answering examiner inquiries). Charge RLS time spent on detail to E&amp;I to Detail to Central Office (WCC 43).</td>
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<tr>
<td>Chartering and FOM Activities</td>
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<td>Time spent collecting information, analyzing data, and recommending action on chartering and FOM changes, including community conversions and/or expansions, and underserved area expansion requests.</td>
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<tr>
<td>Capital Market Specialist-</td>
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<td>Capital market spe-</td>
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<td>Administrative Time</td>
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<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
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<tr>
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<tr>
<td>Specialist time spent on investments and asset-liability management (ALM) issues. This pertains to time spent not directly related to a credit union (for example, researching investment and ALM topics, preparing and analyzing risk reports, developing training materials and training staff, mentoring examiners, reviewing AIRES ALM work papers and exam reports, conducting Bloomberg analytics, developing agency guidance, reviewing pilot program applications, and answering examiner inquiries.) Charge RCMS time spent on detail to E&amp;I to Detail to Central Office (WCC 43).</td>
<td>08</td>
<td>Time spent by SMEs not directly related to a credit union examination or supervision contact (for example, developing training materials and training staff, researching</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
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<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<tr>
<td>Management/Staff Developement Details</td>
<td>09</td>
<td>Time spent completing activities for the Management Development Program or any other type of staff developmental program, such as OMWI’s Mentoring Program or the USDA’s Executive Leadership Program.</td>
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</table>
| Examination FCU – Regular          | 10  | Regular examination of a federally chartered credit union. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination.  
  Designate SME, specialist time, and time spent reviewing BSA compliance as described the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions. |
<table>
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<th>WCC</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examination FISCU – Regular</td>
<td>11</td>
<td>Examination/insurance review of any FISCU. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination/insurance review. (AIRES) Designate SME, specialist time, and time spent reviewing BSA compliance as described the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.</td>
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<tr>
<td>Examination Corporate FCU</td>
<td>12</td>
<td>Regular examination of a federally chartered corporate. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination. (AIRES) Designate SME, specialist time, and time spent reviewing BSA compliance as described the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.</td>
</tr>
<tr>
<td>Examination Corporate SCU</td>
<td>13</td>
<td>Regular examination of a federally insured</td>
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<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
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<td>------------</td>
</tr>
<tr>
<td>state-chartered corporate. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination. (AIRES) Designate SME, specialist time, and time spent reviewing BSA compliance as described the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.</td>
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<tr>
<td>Examination NFICU</td>
<td>15</td>
<td>Examination of a non-federally insured, state-chartered natural person (typically conversion examinations) or corporate credit union. (AIRES)</td>
</tr>
<tr>
<td>Information Systems Officer or Payment Systems Specialist Time</td>
<td>19</td>
<td>Information Systems Officer or Payment Systems Specialist time spent on IS&amp;T and Payment System issues. This pertains to time spent not directly related to a credit union, vendor or CUSO (for example, researching IS&amp;T or payment systems topics, developing training mater-</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5300 / 5310 Program FCU</td>
<td>20</td>
<td>Processing of Call Reports, FPR trending analysis, and RATE for consumer FCUs. Processing of 5310 reports and Consolidated Balance Sheet (CBS) trending reports for corporate FCUs.</td>
</tr>
<tr>
<td>5300 / 5310 Program SCU</td>
<td>21</td>
<td>Processing of Call Reports, FPR trending analysis, and RATE for consumer FISCUs. Processing of 5310 reports and CBS trending reports for corporate FISCUs.</td>
</tr>
</tbody>
</table>
| Supervision On-site – FCU      | 22  | On-site supervision and follow-up exams of FCUs. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to a supervision contact. (AIRES)

  Designate SME, specialist time, and time spent reviewing BSA compliance as
<table>
<thead>
<tr>
<th>Classification</th>
<th>WCC</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervision On-site – FISCU</td>
<td>23</td>
<td>On-site supervision and follow-up exams of FISCUs. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to a supervision contact. (AIRES)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Designate SME, specialist time, and time spent reviewing BSA compliance as described the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.</td>
</tr>
<tr>
<td>Vendor Review</td>
<td>24</td>
<td>Reviews of vendors or third-party service organizations used by credit unions that are not CUSOs. For reviews or examinations of CUSOs, use WCC 29.</td>
</tr>
<tr>
<td>Review of State Examinations</td>
<td>26</td>
<td>Evaluation of examination reports completed by state supervisory authorities. (AIRES)</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Supervision Off-site – FCU | 27  | Off-site supervision of an FCU. If the purpose of an off-site supervision is to follow up with credit unions to assess operational capacity following a natural disaster, document this in the comments section of TMS.NET. Includes any SME or specialist (RCMS, RLS, RISO, NPSO, NISO) activity directly related to a supervision contact. (AIRES, in accordance with NSPM.)
|                      |     | Designate SME, specialist time, and time spent reviewing BSA compliance as described the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.                                                                                                                                  |
| Supervision Off-site – FISCU | 28  | Off-site supervision of a FISCU. If the purpose of the off-site supervision is to follow up with credit unions to assess operational capacity following a natural disaster, document this in the comments section of TMS.NET.                                                                 |

Work Classification Codes
<table>
<thead>
<tr>
<th>Classification</th>
<th>WCC</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>TMS.NET. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to a supervision contact. (AIRES, in accordance with NSPM.)</td>
<td></td>
<td>Designate SME, specialist time, and time spent reviewing BSA compliance as described the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.</td>
</tr>
<tr>
<td>CUSO Review</td>
<td>29</td>
<td>Reviews or examinations of credit union service organizations.</td>
</tr>
<tr>
<td>Conservatorship Administration – FCU</td>
<td>50</td>
<td>Time spent administering the conservatorship of a federal chartered credit union. Does not include examination or supervision time related to safety and soundness oversight.</td>
</tr>
<tr>
<td>Conservatorship Administration - FISCU</td>
<td>51</td>
<td>Time spent administering the conservatorship of a federally insured state chartered credit union. Does not include examination or supervision</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------------------</td>
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<td>--------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Fraud Supervision On-site - FCU</td>
<td>90</td>
<td>On-site time spent at a federally chartered credit union specifically related to investigating and/or documenting a probable or known fraud. May be used in combination with other non-fraud related on-site supervision. Includes E&amp;I directed contact due to Fraud Indicator report.</td>
</tr>
<tr>
<td>Fraud Supervision On-site - FISCU</td>
<td>91</td>
<td>On-site time spent at a federally insured state chartered credit union specifically related to investigating and/or documenting a probable or known fraud. May be used in combination with other non-fraud related on-site supervision. Includes E&amp;I directed contact due to Fraud Indicator report.</td>
</tr>
<tr>
<td>Pre-Exam Planning FCU</td>
<td>94</td>
<td>Planning prior to FCU examination. Time spent pre-planning should be reported in the WCC column and assigned a specific credit union charter</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------</td>
<td>-----</td>
<td>------------</td>
</tr>
<tr>
<td>Pre-Exam Planning FISCU</td>
<td>95</td>
<td>Planning prior to FISCUs joint examination or insurance review. Time spent pre-planning should be reported in the WCC column and assigned a specific credit union charter number. This WCC applies to both natural person and corporate credit unions.</td>
</tr>
<tr>
<td>Consumer Compliance Priorities FCU</td>
<td>96</td>
<td>Time specifically allocated to reviewing compliance with federal consumer financial protection laws and regulations in FCUs as directed by management. Not part of safety and soundness examination or supervision activity.</td>
</tr>
<tr>
<td>Consumer Compliance Priorities FISCU</td>
<td>97</td>
<td>Time specifically allocated to reviewing compliance with federal consumer financial protection laws and regulations in FISCUs as directed by management. Not part of safety and soundness examination or super-</td>
</tr>
</tbody>
</table>
### Administrative Work Classification Codes

<table>
<thead>
<tr>
<th>Classification</th>
<th>WCC</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>30</td>
<td>Miscellaneous examiner office time not directly related to a credit union. Typically includes:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Responding to surveys and requests for comments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Independently reviewing and developing individual development plans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Writing and responding to e-mail, voicemail, hard copy mail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Preparing travel vouchers and time reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Purchasing supplies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Filing and organizing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Making trips to post office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Making travel arrangements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Reviewing guidance, instructions, and other agency communications</td>
</tr>
<tr>
<td>Technology Administration</td>
<td>31</td>
<td>Examiner time spent maintaining NCUA-issued technology and software not directly related to any other work code. This includes time related to restoring lost data, repairing hardware, time with the OCIO Customer Service Help Desk, etc.</td>
</tr>
<tr>
<td>OJT SME Trainee</td>
<td>34</td>
<td>Time spent receiving specialized SME training during credit union contacts. Identify the</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>SME specialty area using the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SE/DSA Details</td>
<td>35</td>
<td>Examiner time spent as acting SE or director of special actions (DSA).</td>
</tr>
<tr>
<td>OCCIO Technical Support Desk</td>
<td>36</td>
<td>Examiner details to OCCIO, including the OCCIO Technical Support Desk. Charge examiner time spent on the Technology Development Team (TDT) developing, testing, or training on AIRES to Detail to central office (WCC 43).</td>
</tr>
<tr>
<td>Meetings/Conferences – External and Internal</td>
<td>37</td>
<td>Internal and external meetings or conferences (for example, chapter meetings, meetings with other agencies, topic presentations outside NCUA, SE group meetings, time spent with supervisors to review a performance or individual development plan, or private confidential mediation sessions).</td>
</tr>
<tr>
<td>Training – Classroom</td>
<td>39</td>
<td>Training courses requested through the IDP process and normally delivered for all new examiners (including new examiners). Includes online training.</td>
</tr>
<tr>
<td>OJT SME Trainer</td>
<td>40</td>
<td>SME time spent providing specialized training during a credit union examination or contact. Identify the SME specialty area using the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.</td>
</tr>
<tr>
<td>Training - OJT and Trainee</td>
<td>41</td>
<td>Non-productive training time for new examiners and their trainers.</td>
</tr>
<tr>
<td>Online Meetings, Conferences, and Webinars</td>
<td>42</td>
<td>Online meetings, conferences, and webinars (for example, training on agency guidance, quarterly staff webinars).</td>
</tr>
<tr>
<td>Detail to Central Office</td>
<td>43</td>
<td>Detail assignments to the central office.</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Includes:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- National committee and/or working group assignments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- EEO counselors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- <em>Accounting Manual</em> and <em>Examiner’s Guide</em> revisions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- IS&amp;T field (vendor reviews) and office details</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Consumer compliance details</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- RLS and RCMS assignments to the central office, including instructor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Commenting on national issuances (for example, instructions,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- regulations, supervisory letters), etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Does not include details to OCIO (see WCC 36) or CURE (see WCC 18).</td>
</tr>
<tr>
<td>Detail to Regional Office</td>
<td>44</td>
<td>Detail assignments to the regional office, including regional committee</td>
</tr>
<tr>
<td></td>
<td></td>
<td>assignments, developmental details, regional office training, details</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to the region’s DSA or DOS, etc.</td>
</tr>
<tr>
<td>Travel – FCU</td>
<td>45</td>
<td>Travel associated with an FCU.</td>
</tr>
<tr>
<td>Travel – SCU</td>
<td>46</td>
<td>Travel associated with an SCU.</td>
</tr>
<tr>
<td>Travel - Training/Meetings/Conf.</td>
<td>47</td>
<td>Travel associated with training, meetings, conferences, or details.</td>
</tr>
<tr>
<td>OMWI Employee Resource Group</td>
<td>48</td>
<td>Field staff participation in OMWI-sponsored Employee Resource Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>activities or events.</td>
</tr>
<tr>
<td>Holiday</td>
<td>66</td>
<td>Official government holiday.</td>
</tr>
<tr>
<td>Annual Leave</td>
<td>67</td>
<td>Annual leave.</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-----</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Sick Leave</td>
<td>68</td>
<td>Sick leave for employee, family member, family funeral, family adoption, and Family Medical Leave Act (FMLA).</td>
</tr>
<tr>
<td>Other Leave</td>
<td>69</td>
<td>Other leave (for example, authorized administrative leave, award leave, military leave, court leave/jury duty).</td>
</tr>
</tbody>
</table>
| Union Official Term Negotiations| 70  | A bargaining unit employee union representative use of approved official time, including applicable travel time, to participate in term and/or reopener negotiations covered in Article 41 of the CBA and related bargaining preparation. Hours separate from the time bank in Article 6.  

*Reserved for use by bargaining unit employee union representatives.* |
| Union Official Mid-Term Negotiations | 71  | Approved official time, including applicable travel time, to participate in negotiations covered by Article 8 of the CBA. Hours separate from the time bank in Article 6.  

*Reserved for use by bargaining unit employee union representatives.* |
| Union Official Dispute Resolution | 72  | Approved official time, including applicable travel time, to represent employees in activities covered by Articles 28, 29, 30, and 31, or to participate in FLRA proceedings. Hours subject to the time bank and individual limits in Article 6.  

*Reserved for use by bargaining unit employee union representatives.* |
<p>| Union Official General Labor/Management Relations | 73  | Approved official time, including any applicable travel time, for activities related to labor relations such as formal meetings, meetings with BU employees, mid-term bargaining preparation, preparing and main- |</p>
<table>
<thead>
<tr>
<th>Classification</th>
<th>WCC</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bargaining Unit Employee Official Time (Replaces Prior WCC 91)</td>
<td>76</td>
<td>Approved duty time, including any applicable travel time, to meet with union representatives concerning grievances or other representational matters. Reserved for use by bargaining unit employees.</td>
</tr>
<tr>
<td>Credit Hours Earned</td>
<td>80</td>
<td>Credit hours earned.</td>
</tr>
<tr>
<td>Credit Hours Used</td>
<td>81</td>
<td>Credit hours used.</td>
</tr>
<tr>
<td>Compensatory Time Earned</td>
<td>84</td>
<td>Compensatory time earned.</td>
</tr>
<tr>
<td>Compensatory Time Used</td>
<td>85</td>
<td>Compensatory time used.</td>
</tr>
<tr>
<td>Travel Compensatory Time Earned</td>
<td>88</td>
<td>Travel compensatory time earned.</td>
</tr>
<tr>
<td>Travel Compensatory Time Used</td>
<td>89</td>
<td>Travel compensatory time used.</td>
</tr>
<tr>
<td>Paid Overtime</td>
<td>98</td>
<td>Paid overtime.</td>
</tr>
</tbody>
</table>

Subject Matter Examiner Time Codes

The following codes are used in combination with a WCC to document time spent by staff with an SME designation working in their specialty area. Field staff that do not have, or are training towards, a SME designation should not charge time to these WCCs.
### Classification Table

<table>
<thead>
<tr>
<th>Classification</th>
<th>SME Type</th>
<th>SME Code</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Markets SME</td>
<td>CMS</td>
<td>1</td>
<td>Productive and administrative time related to Capital Markets SME work</td>
</tr>
<tr>
<td>Information Technology SME</td>
<td>IT</td>
<td>2</td>
<td>Productive and administrative time related to IS&amp;T SME work</td>
</tr>
<tr>
<td>Payment Systems SME</td>
<td>EPS</td>
<td>3</td>
<td>Productive and administrative time related to Payment Systems SME work</td>
</tr>
<tr>
<td>Recordkeeping/Internal Controls SME</td>
<td>RIC</td>
<td>4</td>
<td>Productive and administrative time related to Recordkeeping/Internal Controls SME work</td>
</tr>
<tr>
<td>Specialized Lending SME</td>
<td>SL</td>
<td>5</td>
<td>Productive and administrative time related to Specialized Lending SME work</td>
</tr>
<tr>
<td>Consumer Compliance SME</td>
<td>CC</td>
<td>6</td>
<td>Productive and administrative time related to Consumer Compliance SME work</td>
</tr>
<tr>
<td>Bank Secrecy Act/ Anti Money Laundering SME</td>
<td>BSA</td>
<td>7</td>
<td>Productive and administrative time related to Bank Secrecy Act/Anti Money Laundering SME work.</td>
</tr>
</tbody>
</table>

**Office of Consumer Financial Protection Work Classification Codes**

The following WCCs are reserved for use by staff in the Office of Consumer Financial Protection to document consumer compliance reviews related to specific credit unions. Field staff that do not work for OCFP should not charge time to these WCCs.

<table>
<thead>
<tr>
<th>Classification</th>
<th>WCC</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCFP Onsite Fair Lending</td>
<td>03</td>
<td>On-site fair lending reviews of credit unions, including related on-site follow-up contacts. Regional field staff</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Review</td>
<td></td>
<td>will charge time spent participating with OCFP on fair lending reviews to Detail to Central Office (WCC 43). (AIRES)</td>
</tr>
<tr>
<td>OCFP Complaint Review</td>
<td>32</td>
<td>OCFP review of consumer complaints about federally insured credit union (FCU and FISCU) matters involving federal financial consumer protection laws and regulations. (AIRES)</td>
</tr>
<tr>
<td>OCFP Off-site Fair Lending Supervision Contact</td>
<td>33</td>
<td>Off-site fair lending reviews of credit unions, including off-site follow-up contacts after on-site examinations. (AIRES) Regional field staff will charge time spent participating on off-site fair lending supervision contacts to Detail to Central Office (WCC 43).</td>
</tr>
</tbody>
</table>

Last updated June 3, 2019
<table>
<thead>
<tr>
<th>National Supervision Policy Manual</th>
<th>Enforcement Authorities for Credit</th>
<th>Page 703 of 706</th>
</tr>
</thead>
</table>

### Table

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
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</thead>
<tbody>
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<td>Data 1</td>
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<td>Data 7</td>
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<td>Data 10</td>
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<td>Data 19</td>
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<td>Data 28</td>
<td>Data 29</td>
<td>Data 30</td>
</tr>
</tbody>
</table>

*Note: The table contents are placeholders for demonstration purposes.*
<table>
<thead>
<tr>
<th>Enforcement Authorities for Credit</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National Supervision Policy Manual</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regional Office Map

NCUA Regional Structure as of January 2019

Map Key
- Eastern Region
- Southern Region
- Western Region

Eastern Region
Western Region
Also includes Guam
Southern Region
Also includes U.S. Virgin Islands and Puerto Rico

Last updated March 5, 2019
Administrative record
The administrative record is the total collection of information needed for decision-making purposes. It must present a complete, factual, and fully documented history of a credit union's problems. It should also clearly document the efforts taken (or not taken) by both the credit union officials and the NCUA to resolve those problems. Examiners will ensure the administrative record documents their concerns about a credit union. Examiners must compile the administrative record through AIRES workpapers, examination/supervision contact reports or other written communications to credit union officials.

AIRES
Automated Integrated Regulatory Examination System

AIRES Scope module
Throughout the NSPM, "AIRES Scope module" also includes the Corporate Exam Work Center (CEWC) for corporate examinations.

ALCO
Asset/Liability Committee

ALM
Asset/Liability Management

AMAC
Asset Management Assistance Center

AML
Anti-money laundering

ARDO
Associate Regional Director of Operations

ARDOs
Associate Regional Director of Operations
ARDP
Associate Regional Director of Programs

ARDPs
Associate Regional Director of Programs

AUSP
Agreed Upon Supervision Plan

B

BAM
Board Action Memorandum

BAMs
Board Action Memorandum

BSA
Bank Secrecy Act

BSA-S
Significant BSA violation

Business day
Throughout the NSPM, a “business day” is defined as any day in which normal business is conducted. Business days generally exclude weekends and federal holidays.

C

C&D
Cease and desist

CBA
Collective Bargaining Agreement between NCUA and the National Treasury Employees Union.

CCPO
Division of Consumer Compliance Policy and Outreach in the NCUA’s Office of Consumer Financial Protection
CCV
Consumer Compliance Violations

CDD
Customer due diligence

CFPB
Consumer Financial Protection Bureau

CFR
Code of Federal Regulations

CIP
Customer identification program

CMIR
Report(s) of International Transportation of Currency or Monetary Instruments

CMIRs
Report(s) of International Transportation of Currency or Monetary Instruments

CMP
Civil money penalty; civil money penalties

CMPs
Civil money penalty; civil money penalties

CTR
Currency Transaction Report

CTRs
Currency Transaction Report

CU
Credit union; credit unions

CURE
NCUA's Office of Credit Union Resources and Expansion
CUs
Credit union; credit unions

CUSO
Credit union service organization

CUSOs
Credit union service organization

D

DCM
Division of Capital Markets

DE
District Examiner

DEs
District Examiner

DOEP
Designation of Exempt Person

DOI
Division of Insurance

DOJ
U.S. Department of Justice

DOR
Document of Resolution

DORs
Document of Resolution

DOS
Division of Supervision

DSA
Division of Special Actions or discretionary supervisory actions
DSCR
Documented Secondary CAMEL Review

DSCR review
A review completed in advance of delivery to credit union officials when a credit union meets specific risk criteria.

DSCRs
Documented Secondary CAMEL Review

E

E&I
Office of Examination and Insurance

ED
Executive Director

EDS
Economic Development Specialist

EDSs
Economic Development Specialist

EEO
Equal Employment Opportunity

EIC
Examiner-in-charge

EICs
Examiner-in-charge

EMC
Examination Management Console (in AIRES)

ESG
Exam Steering Group

ETW
Earnings Transfer Waiver
ETWs
Earnings Transfer Waiver

Examiner
Throughout the NSPM, the term “examiner” includes district and principal examiners, problem case officers, examiners and specialized examiners. The term typically refers to DEs, PCOs, and national field examiners. It also refers to any type of specialized examiner (RLS, ALS, RCMS, RISO, etc.).

Examiners
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F

FBAR
Report of Foreign Bank and Financial Accounts

FBARs
Report of Foreign Bank and Financial Accounts

FCU
Federal credit union

FCUs
Federal credit union

FDIC
Federal Deposit Insurance Corporation

FFIEC
Federal Financial Institutions Examination Council

FHA/VA
Federal Housing Administration / Veterans Administration
<table>
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<tr>
<th>Term</th>
<th>Definition</th>
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<td><strong>FICU</strong></td>
<td>Federally insured credit union</td>
</tr>
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<td><strong>FICUs</strong></td>
<td>Federally insured credit union</td>
</tr>
<tr>
<td><strong>Field office</strong></td>
<td>&quot;Field office&quot; is synonymous with “regional office,” and includes the Office of National Examinations and Supervision (ONES).</td>
</tr>
<tr>
<td><strong>Field staff</strong></td>
<td>“Field staff” includes district examiners, problem case officers, national credit union examiners, and specialized examiners. This term was defined in NCUA Instruction NO. 5000.20 (Rev. 5), Risk-Focused Examination Scope,&quot; issued January 10, 2014.</td>
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<tr>
<td><strong>Field supervisor</strong></td>
<td>“Field supervisor” includes supervisory examiners, national field supervisors, and directors of special actions. This term was defined in NCUA Instruction NO. 5000.20 (Rev. 5), Risk-Focused Examination Scope,&quot; issued January 10, 2014.</td>
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<tr>
<td><strong>FinCEN</strong></td>
<td>Financial Crimes Enforcement Network</td>
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<td><strong>FISCU</strong></td>
<td>Federally insured, state-chartered credit union</td>
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<tr>
<td><strong>FISCUs</strong></td>
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<td><strong>FOIA</strong></td>
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<td><strong>FPRs</strong></td>
<td>Financial Performance Report</td>
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FRB
Federal Reserve Bank

FTC
Federal Trade Commission

Full review
A comprehensive and detailed supervisory review of an examiner's work product performed after upload; a full review includes review of applicable work papers and is documented using the SEF.

G

GAAP
Generally Accepted Accounting Principles

GAAS
Generally accepted auditing standards

GAO
U.S. Government Accountability Office

GTO; GTOs
Geographic Targeting Order(s)

H

HRP
High-risk pipeline

HUD
U.S. Department of Housing and Urban Development

I

IAP
Investment action plan

IAPs
Investment action plan
**Glossary**

**IDP**
Individual Development Plan

**IDPs**
Individual Development Plan

**IRPS**
Interpretive Ruling and Policy Statements are issued by NCUA's Office of General Counsel.

**IRPSs**
Interpretive Ruling and Policy Statements are issued by NCUA's Office of General Counsel.

**IRR**
Interest rate risk

**IRS**
Internal Revenue Service

**ISO**
Information System Officer

**ISOs**
Information System Officer

**LCRE**
Loan Concentration Risk Evaluation

**LCRO**
Loan Concentration Risk Outlier

**LICU**
Low-income credit union

**LICUs**
Low-income credit union
LTV
Loan-to-value

LUA
Letter of understanding and agreement

LUAs
Letter of understanding and agreement

M

MARS
Management Automated Resource System

MBL
Member Business Loan

MBLs
Member Business Loan

Member information
Any record containing nonpublic personal information about a member, whether in paper, electronic, or other form, maintained by or on behalf of a credit union. Defined in Appendix A of Part 748 of NCUA rules and regulations.

ML/TF
Money laundering and terrorist financing

MLR
Material Loss Review

MOU; MOUs
Memorandum of Understanding; Memorandum of Understandings

N

NCUSIF
The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.
New credit union
For PCA purposes, a new credit union is one which has been in operation for less than 10 years and has total assets of not more than $10 million.

NFICU
Non-federally insured credit union

NFICUs
Non-federally insured credit union

NLA
No longer applicable

NSCUP
National Small Credit Union Program

NWR
Net worth ratio

NWRP
Net Worth Restoration Plan(s)

NWRPs
Net Worth Restoration Plan(s)

O

OCA
Other corrective action

OCC
Office of the Comptroller of the Currency

OCFP
Office of Consumer Financial Protection

OCIO
Office of the Chief Information Officer

OEAC
NCUA's Office of External Affairs and Communications
OGC
NCUA's Office of General Counsel

OIG
Office of the Inspector General

ONES
Throughout the NSPM, the term “regional office” includes the Office of National Examinations and Supervision (ONES). The term “Regional Director” includes the ONES director and “associate Regional Director” includes the ONES deputy director.

PCA
Prompt Corrective Action(s)

PCAs
Prompt Corrective Action(s)

PCO
Problem Case Officer

PCOs
Problem Case Officer

PE
Principal Examiner

PEs
Principal Examiner

PII
Personally identifiable information

PRA
Public Records Act

PSR
Pre-release secondary review
PWL
Preliminary Warning Letter

PWLs
Preliminary Warning Letter

Q

QA
Quality assurance; the continuous process of verifying whether supervisory and oversight activities meet the NCUA’s established requirements.

QCR
Quality control review; actions taken on items or activities to verify adherence to specified requirements. The QCR element is generally included as a segment of QA.

QCR forms
Tools designed to identify risks to the share insurance fund, evaluate whether an individual examination or supervision contact report meets national standards, and provide a written assessment of that report.

QCRs
Quality control review; actions taken on items or activities to verify adherence to specified requirements. The QCR element is generally included as a segment of QA.

R

RATE
Risk Analysis and Trending Evaluation

RATE form
Risk Analysis Trending and Evaluation form, a tool used to document quarterly risk reviews of natural person credit unions.

RBNW
Risk-based net worth
RBP
Revised Business Plan

RBPs
Revised Business Plan

RCMS
Regional Capital Market Specialist

RD
Regional Director

RDL
Regional Director letter

RDLs
Regional Director letter

RDs
Regional Director

Regional office
“Regional offices” include the Office of National Examinations and Supervision (ONES). This term was defined in NCUA Instruction NO. 5000.20 (Rev. 5), Risk-Focused Examination Scope," issued January 10, 2014.

RIC
Recordkeeping/internal control

RISO
Regional Information Systems Officer

RLS
Regional Lending Specialist

RO
NCUA regional office

ROs
NCUA regional office
S

**SAR**
Suspicious Activity Report

**SARs**
Suspicious Activity Report

**SATEX**
An Excel workbook consisting of a series of linked spreadsheets. The name is an acronym for "Special Actions Trends Expanded." SATEX spreadsheets are used to capture data from a credit union’s monthly financial statements and provide a tool for monitoring and analyzing financial trends. Only the data necessary to track a credit union’s performance and problem areas should be entered in SATEX.

**SC**
Supervisory Committee

**Scanned review**
After an examiner uploads a report, a cursory review of select exam data and financial trends to assess the level of risk present and to assist the supervisor in determining the level of review necessary.

**SCR**
Secondary Capital Redemption

**SCUEP**
Small Credit Union Examination Program

**SCUP**
Small Credit Union Program

**SE**
Supervisory examiner. Replace “SE” with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

**SEF**
Supervisor evaluation form, a tool designed to evaluate an examiner’s report for appropriateness of problem resolution, overall report
construct (for example, tone, grammar, and proper use of the DOR. The SEF is also a development tool that both the supervisor and examiner can use to identify strengths and areas requiring improvement or further development.

**SEFs**
Supervisor evaluation form, a tool designed to evaluate an examiner’s report for appropriateness of problem resolution, overall report construct (for example, tone, grammar, and proper use of the DOR. The SEF is also a development tool that both the supervisor and examiner can use to identify strengths and areas requiring improvement or further development.

**SEs**
Supervisory examiner. Replace “SE” with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

**Share insurance fund**
National Credit Union Share Insurance Fund

**SIA**
Special Insuring Agreement

**SIAs**
Special Insuring Agreement

**SME**
Subject Matter Examiner

**SMEs**
Subject Matter Examiner

**SSA**
State Supervisory Authority

**SSAs**
State Supervisory Authority

**SSR form**
State supervisory review form, a tool designed to document district examiner review of examination reports submitted by examiners
employed by SSAs.

**Supervisor**
Throughout the NSPM, the term “supervisor” includes supervisory examiners, national field supervisors and directors of special actions. This term typically refers to DSAs, SEs, and national field supervisors. The abbreviation "SE" appears on many templates provided in the NSPM. Replace “SE” with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

**USA PATRIOT Act**
Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism

**USC**
United States Code
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