National Supervision
Policy Manual
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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Chapter 1. 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formal actions such as published LUAs and cease and desist orders, also includes informal actions such as DORs, RDLs, unpublished LUAs, and PWLS.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.

1. General Responsibilities

A. 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

**B. 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](#)

**C. 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

**D. 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

2. Types of Administrative Remedies

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

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<td>Non-published letter of understanding and agreement</td>
<td>Civil money penalty</td>
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<tr>
<td>Preliminary warning letter</td>
<td>Involuntary liquidation</td>
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A. Informal Actions

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

B. 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.

3. 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

A. 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.

B. 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

Last updated August 30, 2019
4. 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.

- [List of corrective actions]
- [Additional information or recommendations]
Chapter 1. Administrative Remedies
D. 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 60-day completion requirement, up to a total of 90 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>
<th>Follow-Up Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five new DOR items issued</td>
<td>2 of 5 DOR items are resolved</td>
</tr>
<tr>
<td>Place all items in DOR Module</td>
<td>No new DOR items</td>
</tr>
<tr>
<td>Issue DOR with all items</td>
<td>• Mark two DOR items as resolved in DOR module</td>
</tr>
<tr>
<td></td>
<td>• Issue LUA with three DOR items, which remain unresolved in DOR module</td>
</tr>
<tr>
<td></td>
<td>• Include all five items in Status Update</td>
</tr>
<tr>
<td></td>
<td>• No DOR issued</td>
</tr>
</tbody>
</table>

Scenario B

Chapter 1. Administrative Remedies
### E. 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 Dir-
ector'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 down-
grade 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 man-
agement for troubled credit unions.

F. 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 asso-
ciated 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 super-
vision 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. The status of each item will be listed as completed, not completed, or partially completed. 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)

G. 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.

H. 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.

5. 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

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

B. 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.

C. 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

D. 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 completed, not completed, or partially completed. 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).

Last updated July 29, 2015

E. 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.

6. 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.

A. 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.

B. 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)

C. 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.

D. 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 5300 Call Report deadline
- If authorized in advance by a Regional Director, ARDO, or ARDP, file an estimated 5300 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.
E. 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 5300 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 [CU Online] 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

7. 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.

8. 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.

9. 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.

A. 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.

B. 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

Regions are only responsible for reporting Regional Director letters associated with an examination or supervision contact report and part of the administrative record.

10. Templates

- Regional Director Letter Sample

A. Troubled Condition Status

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

B. Letter of Understanding and Agreement

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

C. Preliminary Warning Letter

- PWL Sample
- BSA-Specific PWL
- PWL Removal Samples

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.
Template: Upgrade a FISCU from Troubled Condition

Status
Template: Acknowledge LUA and CAMEL Downgrade
Template: LUA Addendum


Template: LUA Removal
Sample: Preliminary Warning Letter
Sample: BSA-Specific Preliminary Warning Letter

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]
Samples: Preliminary Warning Letter Removal
Chapter 2. 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.

1. Field Staff Responsibilities

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

2. 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.

3. Audit Report Review

Field staff are responsible for reviewing a credit union’s Profile each quarter during the Call Report 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.

A. 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.

B. 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.
C. Documenting the Audit Report

Field staff will document that they have reviewed the audit report in the credit union’s RATE during the scheduled RATE review cycle. If field staff receive a requested audit report after the RATE review cycle closes, they should document their review in the next scheduled RATE review cycle. If an audit report relays material concerns that require an immediate onsite contact, examiners should note the concerns in the RATE review 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 RATE, provided such issues do not require an immediate onsite contact.

4. 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

A. 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 Examiner'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.

Last updated January 22, 2018

5. 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 supervisor 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.

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### 6. Significant Recordkeeping Concerns

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

- Incomplete bank reconcilements 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)

Conduct 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

### A. 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
B. 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.

Last updated July 31, 2018
7. 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.

8. 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.
Chapter 3. 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.

1. 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 5001.06, Bank Secrecy Act Compliance (May 10, 2005)
- 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

2. Suspicious Activity Report (SARs)

A. 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

B. SAR Filing Information

Credit unions must file all SARs electronically through the Financial Crimes Enforcement Network (FinCEN) BSA E-Filing website.

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
3. 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.

4. 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.
5. BSA Violations

A. 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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**Notes:**
- BSA Reporting Company refers to any financial institution or financial intermediary that is subject to the Bank Secrecy Act (BSA) regulations.
- Financial Institution/Insurer includes banks, thrifts, credit unions, and other financial institutions.
- Financial Intermediary includes entities such as brokers, dealers, and other financial services firms.
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7. Resolution of Significant BSA Violations

- Federal credit union
- FISCU

A. 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.

- [List of applicable administrative actions]

### B. 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.

8. 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.

9. 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.

A. [Blank]

B. 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)
Chapter 4. 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.

1. DOS Responsibilities

A. 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.

B. 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

C. 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

Last updated July 29, 2015
2. 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.

3. 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

4. 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.

5. 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.

A. Approval Timeframes

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

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<th>Reference</th>
<th>Description</th>
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<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>
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6. 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.
7. 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.

8. 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.

9. 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.

10. 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

[Redacted]
Template: Acknowledge Complete Application for Change of Officials
Template: Waive 30-Day Notification Requirement for Change of Officials
Template: Approve 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: Acknowledge Request to Withdraw Application for Change of Officials
Chapter 5. 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.

1. 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.

2. 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>AIERES</td>
<td>Corporate Examination Work Center</td>
</tr>
<tr>
<td>Call Report 5300</td>
<td>Call Report 5310</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.

3. 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.

A. 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

Last updated July 29, 2015
• DOS will copy the examiner and supervisor on the letter

B. 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.

C. 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.

D. 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:

• [Continue with specific responsibilities related to DOS's role in the process]
• 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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**4. 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.
A. 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.

B. 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 credit union 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.

C. 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

D. 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>
</tr>
<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.
E. 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.

5. 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.

A. 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.

6. Capital Restoration Plans

A. 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))

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**B. 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](https://example.com). 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](https://example.com).
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.

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.
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.

7. 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.

A. 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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**B. 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
8. 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.

A. 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>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></td>
<td>4.99%</td>
<td>5.99%</td>
<td>9.99%</td>
</tr>
<tr>
<td>Undercapitalized</td>
<td>Less than 4%</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 3%</td>
<td>Less than 6%</td>
</tr>
<tr>
<td>Critically undercapitalized</td>
<td>Less than 2%</td>
<td>Less than 2%</td>
<td>Less than 4%</td>
</tr>
</tbody>
</table>

### B. 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

### C. 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>Joint examination in which SSA may not release its examination report for several months</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>Independent insurance review completed by the NCUA</td>
<td></td>
</tr>
</tbody>
</table>

D. 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.
Chapter 6. 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
1. 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.

2. 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

3. Templates

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

_Last updated July 31, 2018_
### Template: CUSO Registry Reporting Concern

<table>
<thead>
<tr>
<th>Credit Union Name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of CUSO Relationship (check all that apply)</td>
<td>☐ Investor</td>
</tr>
<tr>
<td>NCUA Charter/Insurance Number</td>
<td></td>
</tr>
<tr>
<td>CUSO Name(^1)</td>
<td></td>
</tr>
<tr>
<td>NCUA’s Registry Number for the CUSO, if available(^2)</td>
<td></td>
</tr>
<tr>
<td>CUSO Contact Information</td>
<td></td>
</tr>
<tr>
<td>• Name of CUSO CEO or credit union’s primary point of contact at CUSO</td>
<td></td>
</tr>
<tr>
<td>• Mailing address, if available</td>
<td></td>
</tr>
<tr>
<td>• Email address, if available</td>
<td></td>
</tr>
<tr>
<td>• Phone number of CUSO CEO or primary point of contact, if available</td>
<td></td>
</tr>
<tr>
<td>Reporting concern</td>
<td>☐ No current registration</td>
</tr>
<tr>
<td>Description of reporting concern(^3)</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) If the CUSO is in NCUA’s [CUSO Registry](https://www.cusoregistry.org), 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.
Template: CUSO Registry Examination Follow-Up for Multiple-Owned CUSOs (30-Day Deadline)

NOTE: Print on NCUA letterhead

Date

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

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.
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. 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]

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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
Chapter 7. 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.
1. General Responsibilities Regarding CUSOs

A. 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 database 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.

B. 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

C. 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.
D. 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 done 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.

2. 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

3. 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 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.

4. 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 six 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)

An AIRES file will not be uploaded for independent 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.

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5. 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 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-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 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 days of receipt.

A. 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 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.
6. 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>
</tr>
</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>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](mailto:E&I).
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.

7. 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 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 days of the management conference or, if no conference is held, within five days of issuing the final report to CUSO officials.

8. 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 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.

9. 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 days of receiving notification of an upload.

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10. 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.

11. 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
Template: CUSO Pre-Review Letter

NOTE: Print on NCUA letterhead

Date

[Redacted text]

[Redacted text]

[Redacted text]

[Redacted text]

[Redacted text]

[Redacted text]

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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
Scope

The general scope of our review included an assessment of the CUSO’s:
<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Contact Info</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Smith</td>
<td>CEO</td>
<td><a href="mailto:john.smith@cusom.com">john.smith@cusom.com</a></td>
</tr>
<tr>
<td>Jane Doe</td>
<td>CTO</td>
<td>jane.doe@ cusom.com</td>
</tr>
<tr>
<td>Jack Brown</td>
<td>CFO</td>
<td>jack.brown@ cusom.com</td>
</tr>
<tr>
<td>Jill Taylor</td>
<td>COO</td>
<td>jill.taylor@ cusom.com</td>
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</tbody>
</table>

CUSO Review Report
NAME OF CUSO
Template: Draft CUSO Review Report Cover Letter to CUSO
Chapter 8. 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

1. 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.
A. 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
B. 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

Last updated July 29, 2015

C. 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

Last updated July 29, 2015

D. 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

Last updated July 29, 2015
2. 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 Work-flow</th>
<th>Primary Owner(s)</th>
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<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</td>
</tr>
<tr>
<td>3. Establish a review panel and assign the application for review.</td>
<td>Field office and E&amp;I director</td>
</tr>
<tr>
<td>4. Review the credit union’s derivatives program and make a written recommendation to the field office director.</td>
<td>Review panel</td>
</tr>
<tr>
<td>5. Approve or deny requested derivatives authority and notify credit union.</td>
<td>Field office director</td>
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A. 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)

B. 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

C. 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:

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<tr>
<th>Employee</th>
<th>Role</th>
<th>Assigned by</th>
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<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>
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<tr>
<td>Senior capital markets specialist (SCMS)</td>
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<td>E&amp;I</td>
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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

### D. 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:

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<thead>
<tr>
<th>Activity</th>
<th>Interim Authority</th>
<th>Final Authority following Interim Authority</th>
<th>Final Authority with no Interim Authority</th>
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</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>
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<tr>
<td>Make final determination of application approval or denial and notify credit union (field director)</td>
<td>10 days</td>
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<td>TOTAL</td>
<td>Up to 60 days</td>
<td>Up to 60 days</td>
<td>Up to 120 days</td>
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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.

E. 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)](https://example.com) 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.

3. 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 NCUA 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

## 4. 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) 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.

5. Derivatives Monitoring and Controls

A. 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.

B. 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

6. 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)

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<th>Date</th>
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<td>01/02</td>
<td>09:00</td>
<td>Event 2</td>
<td>Further details on Event 2</td>
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</table>

### Additional Notes
- Event 3 occurred on 01/03 at 14:30
- Event 4 was recorded on 01/04

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### Important Observations
- Event 1 was the most significant event of the week.
- Event 3 had no direct impact on further events.

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### Further Analysis
- Detailed analysis of Event 2 indicates:
  - Cause: Technical malfunction
  - Resolution: Immediate software patch
- Event 4 required additional investigation.
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<td>Qualitative Review Checklist</td>
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**Note:** The table above outlines the various categories and subcategories involved in a qualitative review checklist. Each category is followed by a series of yes or no responses, with optional comments to provide additional context or reasoning for each answer.
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*Derivatives Authority Qualitative Review Checklist*
Template: Respond to Incomplete Application for Derivatives Authority
Template: Acknowledge Interim Application for Derivatives Authority

[Content redacted]
Assigned RCMS
## Federally Insured, State-Chartered Credit Union (FISCU) Information

| Credit union name | 
| Charter number | 

## Contact Information

| Contact name | 
| Title | 
| Email / Phone | 

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

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<tr>
<th>Derivative Product</th>
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<td>Interest rate swaps</td>
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<td>Interest rate caps</td>
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<td>Interest rate floors</td>
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<td>U.S. Treasury note futures</td>
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<td>Amortizing notional</td>
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<td>Forward start swaps</td>
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## NCUA USE ONLY

| Date notification received | 
| Notification received by (name) | 
| Derivative program use | 

- New activity
- Existing activity
Chapter 9. Dishonesty, Fraud, and

1. [Text]

2. [Text]

3. [Text]

4. [Text]

Last updated March 5, 2019
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3. Fraud Hotline Investigations

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4. 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

Fraud can be committed in any department of the credit union and by anyone from a teller to a board member, or even collusion between a group of employees or board members. Officials should keep this in mind as they begin to act on a suspicion of fraud. The following checklist will assist officials upon discovery of a fraud. This checklist is provided for guidance only and should not be construed as all-encompassing for actions needed on the part of Credit Union Officials upon fraud discovery. Prior to beginning the outlined tasks read the entire checklist.

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Initials</th>
<th>Date</th>
<th>Comments</th>
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<tbody>
<tr>
<td>1. Contact the credit union’s legal counsel for advice on how to proceed.</td>
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<tr>
<td>2. Contact the credit union’s NCUA examiner and state regulator, if applicable.</td>
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<td>3. Control access of the involved personnel: ¹</td>
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<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. ²</td>
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<td>b. Revoke remote access to credit union systems.</td>
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<td>c. Re-key locks on doors, disable electronic badge access, and change alarm and camera codes. If the building is leased, notify the</td>
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¹ Access restriction should occur prior to placing the individual on administrative leave.
² Obtain user names and passwords for all systems such as web-based applications, third party services, and credit union email.
Building management of re-keyed door locks.

d. Change computer system passwords.

e. Change signatories and wire authority on bank, Federal Reserve, investment, safekeeping documents, custodian accounts and corporate credit union accounts, etc.³

f. Obtain total control of any post office or mailboxes, night drops, ATMs, vault, teller drawers, etc.⁴

g. Notify third party vendors of the change in personnel. 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, and ATM network.

h. Ensure any saved footage from security cameras is secured and not subject to being overwritten.

i. Secure credit union owned assets (for example, cell phone, laptop, vehicle) from the individual including items maintained offsite.

4. After consulting with the credit union’s legal counsel, restrict access to involved

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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).
personnel’s credit union accounts including:

a. Freezing accounts (primary and joint).

b. Closing charge cards (personal and corporate).

c. Restricting access to safe deposit boxes.

5. Perform review procedures to determine cash differences:

a. Perform cash, vault, and ATM cash counts, under dual control.

b. Account for teller/cashier checks, money orders, and negotiable instruments.

6. Contact involved personnel:

a. Interview the individual(s) to determine the information they will share. You may want to have legal counsel present for the interview. Be vague on the information found. Do not give a possible dollar loss to involved personnel.\(^5\)

b. Suspend the personnel involved with pay until an investigation can be completed. Determine if other employees should be suspended during the investigation.\(^6\)

c. Escort involved individual(s) out the door. Do not leave involved personnel alone. Advise them their personal possessions will be

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\(^5\) At least two officials should be present during the interview.

\(^6\) Credit union officials should consult with their human resources department and attorney during this step.
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<td>inventoried and boxed up, and they will be contacted for pick up.⁷</td>
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<td>7. Isolate and preserve all hard copy evidence. Ensure originals are in “as-is” condition (do not write on or alter originals).</td>
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<td>8. Depending on the individual’s involvement in the credit union’s operations, fill the operational void caused by the suspension.</td>
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<td>9. Contract a third party to complete a mirror image of affected computers and computer systems.⁸</td>
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<td>10. Review bond contract to determine notification deadlines and notify bonding company of potential fraud.⁹</td>
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<td>11. Contact law enforcement.</td>
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<td>12. Determine if a forensic audit is needed.</td>
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<td>13. Assign a media contact person and develop a message to address media questions.</td>
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<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 no comments on social media.</td>
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<td>15. If member accounts are involved in the fraud, a verification of member accounts should be performed.</td>
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⁷ 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.

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.

⁹ The credit union officials should consider consulting with an attorney to ensure notifications deadlines are met.
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<td><strong>16.</strong> File a bond claim after all facts are known and per the bond contract deadlines. (The forensic CPA may be able to assist you in filing the bond claim.)</td>
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<td><strong>17.</strong> 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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<td><strong>18.</strong> Complete a Suspicious Activity Report (SAR) per regulatory requirements.</td>
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Chapter 10. 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.

1. 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
A. 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 Examiners 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.

B. 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.

C. 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).

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**D. 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 5300 Call Report Risk Reviews based on national risk reports
- Analyzing Financial Performance Reports (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

2. 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.

A. 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.

B. 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

Last updated December 4, 2019

### 3. 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
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.

### C. 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.

D. 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.

E. 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.

F. Exam Scheduling Responsibilities

Examiners

<table>
<thead>
<tr>
<th>Topic</th>
<th>Responsibilities</th>
</tr>
</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 Confidential section.</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>
</tr>
</tbody>
</table>

Field Supervisors

<table>
<thead>
<tr>
<th>Topic</th>
<th>Responsibilities</th>
</tr>
</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>
<th>Responsibilities</th>
</tr>
</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 time-frames 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.
Chapter 10. District Management

A. [Text]

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- [Text]

Last updated March 11, 2020
Chapter 10. District Management
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7. Notice of Troubled Condition

Examiners must notify a federal credit union which has been newly downgraded 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.”

8. 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 FISCU’s 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.

9. Call Report, Trending Analysis, 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).

The time examiners charge for data collection, validation, FPR review, risk report analysis, scoping, and trending changes for their districts (WCC 20 or WCC 21) should generally fall within the guidelines specified in the applicable Resource Budget Program.

Examiners should use their discretion in charging the time allotted between uploading the Call Report and performing the risk review. Examiners should contact their supervisor if additional time is needed for the Call Report Validation and Review, Trending Analysis, and RATE process. Supervisors should approve additional time if the credit union profile warrants additional supervision hours.

A. Responsibilities

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

• DOS Responsibilities
• Field supervisor responsibilities
• Field staff responsibilities
Division of Supervision Responsibilities

- Send quarterly regional Call Report and RATE Review deadline reminders consistent with the national due date
- Distribute field supervisor RATE 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.
- Track field supervisor completion of RATE 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

Field Supervisor Responsibilities

- Review RATE reports submitted by field staff:
  - Each quarter, the field supervisor will select a minimum of 25% of their assigned credit unions, ensuring that they review each credit union in their group at least once every calendar year
  - Field supervisors will ensure the time between reviews does not exceed 18 months, targeting an average of no more than 15 months between RATE reviews for their group
- Review RATE reports on credit unions assigned by the Regional Director
- Notify the ARD of any specific credit union in which supervision plans materially changed as a result of the RATE review, necessitating material budget increases for supervision

Field Staff Responsibilities

- Process Call Reports for the assigned district
- Review the credit union's Profile each quarter during the Call Report 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. Field staff will request and review a copy of the audit report as described in the NSPM.

- Review the warnings comments and historical warnings for each credit union and contact credit unions when warranted to determine whether Call Report changes are necessary (for FISCUs, follow the agreements for the applicable states)

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

- Complete the RATE Dashboard, which should include an analysis of:
  - FPR
  - Risk reports
  - 5300 Call Report
  - 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 offsite contact upload in AIRES that documents the review.

- Include comments about significant changes in risk and/or changes in supervision plans in the appropriate comment box

- Submit your review to your appropriate supervisor

Examiners must complete the 5300/FPR Trending Dashboard for each credit union in their assigned district and submit 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.

<table>
<thead>
<tr>
<th>Cycle Date</th>
<th>Approximate RATE Due Date*</th>
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</thead>
<tbody>
<tr>
<td>March 31</td>
<td>June 15</td>
</tr>
<tr>
<td>June 30</td>
<td>September 15</td>
</tr>
<tr>
<td>September 30</td>
<td>December 1</td>
</tr>
<tr>
<td>December 31</td>
<td>March 15</td>
</tr>
</tbody>
</table>

1See memo from E&I director to all field staff dated August 20, 2014.
10. 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’ 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 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.

11. 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.

12. Communicating Directly with a Credit Union

A. 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.

B. 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

**C. 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)

13. 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.
14. 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.

15. 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.

### A. 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.

<table>
<thead>
<tr>
<th>Case Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>Critical Case</td>
<td>Select cases based on national significance</td>
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<tr>
<td>Regional Risk</td>
<td>Monitor regional risk management approaches</td>
</tr>
</tbody>
</table>

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B. 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.

C. 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.

16. 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.

A. 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.

B. 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

17. 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.

A. 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).

B. 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.

C. 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.

18. Administrative Items

• **AIRES: Deleting Files**

• **AIRES File Size Limit**

• **AIRES: Minimal Upload**

• **AIRES: Required Workpapers**

• **Delivering a Report to Credit Union Officials**

• **Documented Secondary CAMEL Review**

• **EIC Rotation Limits**

• **Electronic and Hard Copy Field Files**
A. 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.

B. 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.

C. 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
D. 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.

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**E. 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 Confidenial Section.

F. 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 time-frame cannot be met, the examiner must document supervisor concurrence in the Confidential Section, as well as the reason for delay.

G. EIC Rotation Limits

NCUA Instruction 5000.19, Examiner-In-Charge Rotation (Nov. 23, 2005), describes the current policy for examiner rotation, including limits on consecutive years in district assignments.

Supervisors will ensure adequate rotation of EICs occurs. ARDPs 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 note said approval in the Confidential Section.
H. 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.

I. 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 ARES 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.

J. 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 60 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 60 days.

If completing and uploading an examination/supervision contact within 60 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 90 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 60 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.

K. 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

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 60-day examination timeframe requirement. For example, if the joint conference, exit meeting, or last day onsite takes place on the 58th day, the examiner has two (2) business days to complete and upload the examination.

The 60-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 58th day does not extend the 60-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.’

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.

L. 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.
M. 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.

N. 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

19. Templates
- Supervision Chronology Report
- Team Memo
- Concentration Risk Job Aid
- LCRE form
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.

### EXAM HOURS
- Please provide the hours you have worked on this examination, and please indicate whether the time was on or off site.
- Provide me with any recommendations for changes to future budget hours.
- Provide recommendations for changes to the number of participants as well the addition/deletion of any SME’s to the job.

### SCOPE
- Please provide your input on what the final risk rating should be based on your review.
- Please provide any areas you recommend for review during the next examination.
- Provide the scope team merge file.

### OVERVIEW
- Please provide an overview narrative, if applicable.
- Please provide discussion of the topic, indicate what is wrong, and provide guidance on how to address the issue.

### DOR
- Please update and comment on all prior DOR items in the DOR module that relate to your area of review.
- Please discuss all DOR items with me prior to discussing them with management.
- 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.
- Provide the DOR team merge file.

### EXAMINER’S FINDINGS
- Please provide your Examiner’s Findings in an Examiner’s Findings document.

### CAMEL RATINGS
- Please provide your input on what you feel the CAMEL rating should be for the area you reviewed and provide a brief supporting explanation.
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.
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.
**Loan Concentration Risk Evaluation (LCRE) Form**

5c(I). Does the Exam Scope document Concentration Limits?

5c(ii). Describe the Concentration Limits. (Are they reasonable and supportable?) Provide comments in the box below.

5d(I). Does the Exam Scope document Credit Risk Management Practices?


6. Does the credit union:

6a. Have the net worth necessary to support the level of concentration(s)? Provide detail in the box below.

6b. Liquidity to support the level of concentration(s)? Provide detail in the box below.

6c. Risk management processes to support the level of concentration(s)? Provide detail in the box below.

7. Can the credit union safely handle the concentration risk?
   - If yes, provide a brief summary in the box below; complete and finalize the form.
   - If no, continue to question number 8 and describe what mitigation or other actions are recommended.

8. Describe the mitigation or other actions that are recommended for implementation. Provide detail in the box below.
   (If reducing concentration risk is necessary, field staff must develop and document a plan to track and follow-up until resolution.)
   - What concern was identified?
   - How is the concern(s) documented and addressed (informal or formal administrative action)?
   - When will the concern be resolved?

Any Other Concentration Risk Considerations

<table>
<thead>
<tr>
<th>Asset Threshold</th>
<th>Level of Review</th>
<th>Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50 - $250 Million</td>
<td>Field Supervisor</td>
<td></td>
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<tr>
<td>$250 - $500 Million</td>
<td>Associate Regional Director</td>
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<tr>
<td>&gt; $500 Million</td>
<td>Regional Director</td>
<td></td>
</tr>
<tr>
<td>&gt; $1.0 Billion</td>
<td>E&amp;I Director</td>
<td></td>
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</tbody>
</table>

**Field Staff and Supervisor Review and Recommendation**

Summarize the credit union's ability to manage loan concentration risk in terms of capital levels, liquidity risk, and overall operational expertise and risk management policies, procedures and practices.

Field Staff Recommendations
Chapter 11. 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.
1. 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

2. 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

3. Roles and Responsibilities

A. 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
complaint. A copy of the examination complaint will be sent to the Examinator-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.

B. 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

C. 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.

4. **Templates**
   - Acknowledge Examination Complaint
   - Regional Summary of Exam Appeal and Complaint
   - Respond to Examination Complaint (sample)
<table>
<thead>
<tr>
<th>Topic</th>
<th>Subtopic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam Appeal Process</td>
<td>Overview</td>
</tr>
<tr>
<td></td>
<td>Reasons for Appealing</td>
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<tr>
<td></td>
<td>Document Requirements</td>
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<tr>
<td></td>
<td>Process Timelines</td>
</tr>
<tr>
<td>Exam Complaints</td>
<td>Overview</td>
</tr>
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<td></td>
<td>Reason for Filing Complaint</td>
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<td>Evidence and Documentation</td>
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<td>Process Timelines</td>
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<td>Resolution Process</td>
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<td>Appeal Rights</td>
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<td></td>
<td>Dispute Resolution Process</td>
</tr>
</tbody>
</table>

Note: The table structure is incomplete and requires further details to be filled in.
**REVIEWER RECOMMENDATIONS AND COMMENTS:**

Reviewer Recommendation:

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**APPROVAL/DENIAL RECOMMENDATIONS**

Analyst Comments:

<table>
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<tr>
<th>APPROVE</th>
<th>DISAPPROVE</th>
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Supervision Analyst  ________________________ Date________________

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<th>DISAPPROVE</th>
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Director of Supervision _______________________ Date________________

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Associate Regional Director ___________________ Date________________

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<th>DISAPPROVE</th>
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</table>
Sample: Respond to Examination Complaint
Chapter 12. 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
1. 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 even if reviewers recommend changes to the report.

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.

### 2. 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>
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<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>
</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.

A. 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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**B. 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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**C. 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.

D. 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 unsolved. 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.

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<thead>
<tr>
<th>Step</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>1. Obtain and document SE approval or disapproval in the Confidential Section 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 (RDL, LUA, C&amp;D, 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</td>
<td>Include this time in the “Plans and Budget” tab of the Scope module of AIRES.</td>
</tr>
</tbody>
</table>

¹For 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.
<table>
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<tr>
<th>Step</th>
<th>Notes</th>
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<tbody>
<tr>
<td>has complied with the DOR item based on the timeframe for completion provided to the credit union.</td>
<td></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 the DOR can or should be lifted.</td>
<td>The ARD may approve exceptions to the 120-day follow-up requirement.</td>
</tr>
<tr>
<td>5. Complete an AIRES upload and issue a report to officials notifying them of whether they have met the requirements to resume the activity.</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>

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.

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.

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.

The 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 timeframe, 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.

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.

Last updated March 11, 2020

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.

Last updated March 11, 2020

E. 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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**F. 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.
G. 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.

H. 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.

### I. 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](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](Examination Scope).

Examiners must use their judgment to determine when best to use questionnaires and optional questionnaires.

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**3. Effective Writing**

Staff must prepare documents in accordance with the [NCUA Communications Manual](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](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.

### J. 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](http://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](http://PlainLanguage.gov) 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)
4. 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” 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.

K. 1. Laws and statutes

- Federal Credit Union Act
- State law
- Consumer compliance laws
L. 2. Rules and regulations

- Federal Credit Union Bylaws
- NCUA regulation (including preamble, as needed)
- GAAP/FASB rules

M. 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.

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1Government 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.
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
  - FAQs
  - Interagency guidance

Regulator or industry manuals

- Examiner's Guide
- NCUA Chartering and Field of Membership Manual
- NCUA Accounting Manual for Federal Credit Unions

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Chapter 13. 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.

1. Roles and Responsibilities

A. 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.

**B. 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
Notify the appropriate SSA of information provided by OCFP concerning any HMDA late or non-filer state chartered credit union

2. 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.

A. 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
- 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

3. 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.

4. 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.

5. 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.

6. 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.
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<tr>
<th>Tab/Module</th>
<th>Examiners will...</th>
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</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><strong>Examination Overview</strong></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><strong>Examiner’s Findings</strong></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><strong>DOR module</strong></td>
<td>Enter problem codes for tracking purposes</td>
</tr>
<tr>
<td><strong>Confidential Section</strong></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 (Administrative Tracking section of the Completion Information tab)</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-
mendations 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.

7. 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.

8. 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.

A. 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.

B. 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.

C. 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.

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<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>
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<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>
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</table>

D. 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 HDMA 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 HDMA data to counsel the credit union on appropriate policies and procedures.

### E. 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.

F. 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.

9. Administrative Items

A. 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.
B. 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.

10. 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.
Chapter 14. 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.

1. 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.

**A. 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**.

**B. 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.
C. 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*
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Chapter 14. Federal Credit Union

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2. 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.

3. 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.

Last updated January 27, 2016

4. 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.

Last updated July 29, 2015

A. 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>
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<tr>
<th>Credit Union Description</th>
<th>Maximum Extension</th>
<th>Guidelines</th>
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<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>
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</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>
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<tr>
<th>Credit Union Description</th>
<th>Follow-Up Exam or Supervision Contact Requirements</th>
<th>Guidelines</th>
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<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>
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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).

**B. 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.

**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.

C. 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.

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Last updated March 5, 2019
D. 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

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E. 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.

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5. 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).

A. 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.

¹The Equal Credit Opportunity Act is implemented by Regulation B. The Home Mortgage Disclosure Act is implemented by Regulation C.

²The 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.

**B. 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.
C. 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
Chapter 15. 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.
1. 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.

D. 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.

A. 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.

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**B. 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 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

**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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**2. 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.

C. 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.
D. 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.

E. 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.

F. 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.

3. 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.

A. 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.

B. 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.

4. 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.

### A. 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></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>
</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).

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Last updated August 30, 2019
B. 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.

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**C. 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.

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Last updated March 5, 2019

D. Monthly Financial Monitoring (WCC 28)

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 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

E. 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.

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 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

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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.
F. 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.

5. 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.

6. 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 FISCU in order to allow for the expeditious disclosure of NCUA CAMEL ratings to FISCU

**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 exam-
iners 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 FISCU, 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.
7. 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 60-day guideline for examination completion.

8. 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.

9. 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.

10. 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.

11. 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

12. 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.
Chapter 16. 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.

1. Prompt Corrective Action Classification

A. 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.

B. 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>
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<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>
<tr>
<td>Net Worth Category PCA Classification</td>
<td>New Credit Union</td>
<td>Credit Union NOT Classified as New under PCA</td>
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<td>---------------------------------------</td>
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<td>-------------------------------------------</td>
</tr>
<tr>
<td>Undercapitalized</td>
<td>3.5% to 5.99%</td>
<td>4% to 5.99%</td>
</tr>
<tr>
<td>Significantly undercapitalized</td>
<td>2% to 3.49%</td>
<td>2% to 3.99%</td>
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<tr>
<td>Critically undercapitalized</td>
<td>0% to 1.99%</td>
<td>&lt;2%</td>
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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.

C. 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 5300 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 mis-statement in the credit union’s most recent Call Report
  - a reclassification to a lower net worth category on safety and soundness grounds

Last updated September 15, 2017
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.

**D. 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>
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<tr>
<th>Credit Union Description</th>
<th>Effective Date</th>
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</thead>
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<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>
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</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 | Effective Date
--- | ---
 | official examination report
- 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.

### 2. 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.

**A. 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. Your
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.

B. 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).

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.

A. 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.

B. 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

C. 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.

D. Monitoring NWRPs and RBPs after Approval

Examiners will monitor each credit union operating with a net worth ratio less than 6 percent and provide their supervisor with a quarterly PCA tracking report. Examiners will perform onsite supervision contacts of these credit unions to assess compliance with PCA and overall net worth stability.

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

If the review determines the 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.

E. 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.

4. Invoking Discretionary Supervisory Actions and Other Corrective Actions for a Critically Undercapitalized Credit Union

A. 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).

B. 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.

5. 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.

A. 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 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.

6. Monitoring and Controls

A. 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.

B. 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

- 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

¹Until a centralized database/tool is developed, regions will continue to use reporting systems currently in place.
7. Templates

C. 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

D. 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

Last updated July 29, 2015
## QUARTERLY PCA TRACKING REPORT

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<thead>
<tr>
<th>Time Frame</th>
<th>Data Type 1</th>
<th>Data Type 2</th>
<th>Data Type 3</th>
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- **Data Type 1** represents the first type of data tracked in each quarter.
- **Data Type 2** represents the second type of data tracked in each quarter.
- **Data Type 3** represents the third type of data tracked in each quarter.
- **Data Type 4** represents the fourth type of data tracked in each quarter.
- **Data Type 5** represents the fifth type of data tracked in each quarter.
Samples: Net Worth Category Reclassification
Sample: NWRP/RBP and Assumptions Workbook

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### 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
Template: Approve NWRP/RBP
Template: Notify Credit Union of Need to Submit NWRP/RBP
Template: Notification that NWRP/RBP is No Longer Required
Chapter 17. Quality Assurance

1.

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Chapter 17. Quality Assurance
E.

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I. **Overview**

- [ ] Detailed description of Quality Assurance framework
- [ ] Key components of Quality Assurance
- [ ] Implementation strategies for Quality Assurance

II. **Quality Assurance Policies**

- [ ] Policy 1: Quality Assurance Standards
- [ ] Policy 2: Quality Assurance Procedures
- [ ] Policy 3: Quality Assurance Review

III. **Quality Assurance Processes**

- [ ] Process 1: Planning and Design
- [ ] Process 2: Development and Execution
- [ ] Process 3: Monitoring and Control

IV. **Quality Assurance Tools and Techniques**

- [ ] Tool 1: Quality Assurance Metrics
- [ ] Tool 2: Quality Assurance Inspections
- [ ] Tool 3: Quality Assurance Audits

V. **Quality Assurance Reporting**

- [ ] Reporting Format
- [ ] Reporting Frequency
- [ ] Reporting Channels

VI. **Quality Assurance Case Studies**

- [ ] Case Study 1: Successful Implementation
- [ ] Case Study 2: Lessons Learned
- [ ] Case Study 3: Challenges and Solutions

VII. **Appendix**

- [ ] Glossary
- [ ] References
- [ ] Additional Resources
A. 

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Chapter 17. Quality Assurance
5. Templates

- Specialist feedback form
Chapter 18. 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

1. Roles and Responsibilities

A. 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.
B. 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.

C. 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.

D. 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.

E. 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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**F. 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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**G. 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.

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<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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<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</td>
<td>None</td>
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<td>initial thirty months of that third-party servicing relationship. (2) Regional directors may grant a waiver of the limits in paragraph (h)(1) of this section to permit greater limits upon written application by a credit union.</td>
<td></td>
<td>Response within 45 days</td>
<td>No</td>
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<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.</td>
<td></td>
<td>Response within 45 days</td>
<td>No</td>
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§ 701.36, Occupancy waiver
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<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 RD response within 30 calendar days</td>
<td>RD response within 30 calendar days</td>
<td>No</td>
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<td>Description</td>
<td>Timeframe</td>
<td>Automatic Approval</td>
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<td>§ 701.22(c), Loan participation waiver</td>
<td>credit union board 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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### H. 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

¹The three year timeframe review began July 1, 2012.
requirement applies to any waiver that involves authority for ongoing activity (as opposed to a waiver for a single action).

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).

I. 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

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\(^1\)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 required information.

\(^2\)E&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.

2. 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

A. 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.

B. 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.

C. 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
Template: Respond to Incomplete Request for Occupancy Waiver

[Content of the template is not visible]
TEMPLATE: Approve Request for Occupancy Waiver

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3. 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

A. 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

B. 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.

C. 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
Template: Regional Summary of Decrease in Earnings Transfer Requirement

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Template: Approve Request to Reduce Earnings Transfer Requirement
Template: Deny Request to Reduce Earnings Transfer Requirement
4. 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

A. 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
B. 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
TEMPLATE: Acknowledge Request for Loan Participation Limit Waiver
TEMPLATE: Approve Request for Loan Participation
Limit Waiver
TEMPLATE: Deny Request for Loan Participation Limit Waiver
5. 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.

A. 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).

B. 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.

C. 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

D. 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
TEMPLATE: Respond to Incomplete Proposed Secondary Capital Plan
TEMPLATE: Acknowledge Submission of Secondary Capital Plan
<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project A</td>
<td>Detailed planning in progress</td>
<td>In progress</td>
</tr>
<tr>
<td>Project B</td>
<td>Initial design completed</td>
<td>Completed</td>
</tr>
<tr>
<td>Project C</td>
<td>Construction phase</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Project D</td>
<td>Design finalized</td>
<td>Ready for construction</td>
</tr>
<tr>
<td>Project E</td>
<td>Engineering studies underway</td>
<td>Research phase</td>
</tr>
</tbody>
</table>

**Additional Notes:**
- Project A faces some unforeseen challenges, requiring a slight adjustment to the timeline.
- Project B has received positive feedback from stakeholders.
- Project C is expected to be completed by the end of the quarter.
TEMPLATE: Approve Secondary Capital Plan with Contingency
TEMPLATE: Approve Secondary Capital Plan
Dear Mr./Mrs. Name:

TEMPLE: Deny Secondary Capital Plan

Date

SENT BY CERTIFIED MAIL

Name
Board Chairperson
Address
City, State Zip

Sincerely,

[NAME]
Regional Director
TEMPLATE: Acknowledge Request to Redeem Secondary Capital
<table>
<thead>
<tr>
<th>Region</th>
<th>Requested Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Region B</td>
<td>$500,000</td>
</tr>
<tr>
<td>Region C</td>
<td>$750,000</td>
</tr>
<tr>
<td>Region D</td>
<td>$1,250,000</td>
</tr>
</tbody>
</table>

**Note:** The table above shows the regional summary of requests to redeem secondary capital.
TEMPLATE: Approve Request to Redeem Secondary Capital

Date

[Redacted]

[Redacted]

[Redacted]
6. 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
Chapter 19. 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.

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**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
1. Roles and Responsibilities

A. 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.

B. 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

C. E&I

• Maintain a log of reported instances of unauthorized access to sensitive member information
2. 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.

3. 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.

Last updated September 15, 2017

4. 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.

5. 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
<table>
<thead>
<tr>
<th>Region</th>
<th>Access Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>123</td>
</tr>
<tr>
<td>Region B</td>
<td>456</td>
</tr>
<tr>
<td>Region C</td>
<td>789</td>
</tr>
<tr>
<td>Region D</td>
<td>234</td>
</tr>
<tr>
<td>Region E</td>
<td>567</td>
</tr>
<tr>
<td>Region F</td>
<td>890</td>
</tr>
</tbody>
</table>
Sample: Respond to Notification of Unauthorized Access to Member Data
Template: IT Incident Checklist (Unauthorized Access to Member Information)

<table>
<thead>
<tr>
<th>Task</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Identify the location of the data</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Determine the extent of the access</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Assess the type of member information accessed</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Confirm the time and date of access</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Investigate the source of unauthorized access</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Evaluate the impact on members</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Document the investigation process</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Mitigate the risk of further unauthorized access</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Communicate the incident to affected members</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Report the incident to the appropriate authorities</td>
<td></td>
</tr>
</tbody>
</table>

Note: The status column indicates the progress of each task.
<table>
<thead>
<tr>
<th>Table</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column 1</td>
<td>Value 1</td>
</tr>
<tr>
<td>Column 2</td>
<td>Value 2</td>
</tr>
</tbody>
</table>

The table above shows example data for analysis.
Sample: Acknowledgement Letter for Deferred Follow-up
Sample: Acknowledgement Letter for 60 Day Follow-up
Sample: Closing Letter
Chapter 20. 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

1. 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.

2. 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.

3. General Work Classification Codes

<table>
<thead>
<tr>
<th>Classification</th>
<th>WCC</th>
<th>Definition</th>
</tr>
</thead>
<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>
</tr>
<tr>
<td>Lending Specialists</td>
<td>05</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>
</tr>
<tr>
<td>Chartering and FOM Activities</td>
<td>06</td>
<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. Typically, this time is not associated with SCUP program activ-</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Capital Market Specialist-</td>
<td>07</td>
<td>Capital market 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>
</tr>
<tr>
<td>Administrative Time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject Matter Examiner (SME)</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).</td>
</tr>
<tr>
<td>Special Program Time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Classification</td>
<td>09</td>
<td><strong>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.</strong></td>
</tr>
<tr>
<td>Examination FCU – Regular</td>
<td>10</td>
<td><strong>Regular examination of a federally chartered credit union. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination. (AIRES)</strong>&lt;br&gt;&lt;br&gt;&lt;i&gt;Designate SME, specialist time, and time spent reviewing BSA compliance as described the most recent version of NCUA Instruction 5000.13, Work Classification&lt;/i&gt;</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
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<td>--------------------------------</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<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>
</tr>
<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>Classification</td>
<td>WCC</td>
<td>Definition</td>
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</tr>
<tr>
<td>Examination Corporate SCU</td>
<td>13</td>
<td>Regular examination of a federally insured 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>
</tr>
<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 Sys-</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 issues).</td>
</tr>
<tr>
<td>tems Specialist Time</td>
<td></td>
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<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
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</tr>
<tr>
<td>systems topics, devel-</td>
<td></td>
<td>oping training materials and training staff, mentoring examiners, reviewing pilot program applications, and answering examiner inquiries).</td>
</tr>
<tr>
<td>5300 / 5310 Program</td>
<td>20</td>
<td>Processing of 5300 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>FCU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5300 / 5310 Program</td>
<td>21</td>
<td>Processing of 5300 Call Reports, FPR trending analysis, and RATE for consumer FISCUs. Processing of 5310 reports and CBS trending reports for corporate FISCUs.</td>
</tr>
<tr>
<td>SCU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site supervision</td>
<td>22</td>
<td>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</td>
</tr>
<tr>
<td>Supervision On-site –</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCU</td>
<td></td>
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</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
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</tr>
<tr>
<td>Supervision On-site – FISCU</td>
<td>23</td>
<td>On-site supervision and follow-up exams of FISCU. 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 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 author-</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>---------------------------</td>
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</tr>
<tr>
<td>Supervision Off-site – FCU</td>
<td>27</td>
<td>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.</td>
</tr>
<tr>
<td>Supervision Off-site – FISCU</td>
<td>28</td>
<td>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, doc-</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
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<td>--------------------------------------------------</td>
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</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.</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
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<td>----------------------------------------</td>
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</tr>
<tr>
<td>Fraud Supervision On-site - FCU</td>
<td>90</td>
<td>Does not include examination or supervision time related to safety and soundness oversight.</td>
</tr>
<tr>
<td>Fraud Supervision On-site - FISCU</td>
<td>91</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>Pre-Exam Planning FCU</td>
<td>94</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>
</tbody>
</table>

Planning prior to FCU examination. Time spent pre-planning should be reported in
<table>
<thead>
<tr>
<th>Classification</th>
<th>WCC</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Exam Planning FISCU</td>
<td>95</td>
<td>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>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 FISCU</td>
<td>97</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>
</tbody>
</table>
### 4. 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, responding to surveys, requests for comments, independently reviewing and developing individual development plans, e-mail, voice mail, hard copy mail, travel vouchers, time reports, purchasing supplies, filing and organizing, trips to post office, making travel arrangements, etc.</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 SME specialty area using the most recent version of NCUA Instruction 5000.13, Work Classification Code Definitions.</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>OCIO Technical Support Desk</td>
<td>36</td>
<td>Examiner details to OCIO, including the OCIO Technical Support Desk. Charge examiner time spent on the Technology</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Meetings/Conferences – External and</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>Meetings/Conferences – External and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal and external meetings or con-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ferences (for example, chapter meet-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ings, meetings with other agencies,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>topic presentations outside NCUA, SE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>group meetings, time spent with super-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>visors to review a performance or in-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>dividual development plan, or private</td>
<td></td>
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</tr>
<tr>
<td>confidential mediation sessions).</td>
<td></td>
<td></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>Training – OJT and Trainee</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>OJT SME Trainer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online Meetings, Conferences, and Web</td>
<td>42</td>
<td>Online meetings, conferences, and webinars (for example, training on agency guidance, quarterly staff webinars).</td>
</tr>
<tr>
<td>inars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detail to Central Office</td>
<td>43</td>
<td>Detail assignments to the central office. 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</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Consumer comply details</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 and training assignments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Commenting on national issuances (for example, instructions, 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 assignments, developmental details, regional office training, details 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 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>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>
<tr>
<td>Union Official Term Negotiations</td>
<td>70</td>
<td>A bargaining unit employee union rep-</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------------------------------</td>
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<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| 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.*                                                                                                                                      |
| 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 maintaining records required by federal agencies. Hours subject to the time bank and individual time limits in Article 6 of the CBA. \*
|                                        |     | *Reserved for use by bargaining unit employee union representatives.*                                                                                                                                      |
| Bargaining Unit                        | 76  | Approved duty time, including any applicable time, for activities related to labor relations such as formal meetings, meetings with BU employees, mid-term bargaining preparation, preparing and maintaining records required by federal agencies. Hours subject to the time bank and individual time limits in Article 6 of the CBA. \*
|                                        |     | *Reserved for use by bargaining unit employee union representatives.*                                                                                                                                      |
5. 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.

<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>
</tbody>
</table>
### 6. 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 Review</td>
<td>03</td>
<td>On-site fair lending reviews of credit unions, including related on-site follow-up contacts. Regional field staff will charge time spent participating with OCFP on fair lending reviews to Detail to Central Office (WCC 43). (AIRES)</td>
</tr>
<tr>
<td>OCFP Com-</td>
<td>32</td>
<td>OCFP review of consumer complaints about federally</td>
</tr>
<tr>
<td>Classification</td>
<td>WCC</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------------------------</td>
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</tr>
<tr>
<td>plaint Review</td>
<td></td>
<td>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</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>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
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</thead>
<tbody>
<tr>
<td>Data 1</td>
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<td>Data 4</td>
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<td>Data 7</td>
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<td>Data 9</td>
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<td>Data 10</td>
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<td>Data 13</td>
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<td>Data 19</td>
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<td>Data 21</td>
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<tr>
<td>Data 22</td>
<td>Data 23</td>
<td>Data 24</td>
</tr>
<tr>
<td>Enforcement Authorities for Credit</td>
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<td>----------------------------------</td>
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</tr>
</tbody>
</table>

1. Enforcement Authorities for Credit.
Regional Office Map

NCUA Regional Structure as of January 2019

Map Key
- Eastern Region
- Southern Region
- Western Region

Last updated March 5, 2019
Glossary

A

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

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

BCFP
  Burea of Consumer Financial Protection

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
**Glossary**

**CCR**
Consulting Contact Report

**CCRs**
Consulting Contact Report

**CDD**
Customer due diligence

**CFR**
Code of Federal Regulations

**CIP**
Customer identification program

**CMIR**
Currency and Other Monetary Instruments Report

**CMIRs**
Currency and Other Monetary Instruments Report

**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 Persons

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
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

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
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.).

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

FFIEC
Federal Financial Institutions Examination Council

FHA/VA
Federal Housing Administration / Veterans Administration

FICU
Federally insured credit union

FICUs
Federally insured credit union

Field office
"Field office" is synonymous with “regional office,” and includes the Office of National Examinations and Supervision (ONES).

Field staff
“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," issued January 10, 2014.

**Field supervisor**
“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," issued January 10, 2014.

**FinCEN**
Financial Crimes Enforcement Network

**FISCU**
Federally insured, state-chartered credit union

**FISCUs**
Federally insured, state-chartered credit union

**FPR**
Financial Performance Report

**FPRs**
Financial Performance Report

**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

H

HRP
   High-risk pipeline

HUD
   U.S. Department of Housing and Urban Development

I

IAP
   Investment action plan

IAPs
   Investment action plan

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.

**MLR**
Material Loss Review

**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

**O**

**OCA**
Other corrective action

**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.

PCO
Problem Case Officer

PCOs
Problem Case Officer

PE
Principal Examiner

PEs
Principal Examiner

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.).
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