NCUA

National Credit Union Administration

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" refers to a broad range of actions that, while including formal actions such as published Letters of Understanding and Agreement and cease and desist orders, also includes informal actions such as Documents of Resolution, Regional Director letters, unpublished Letters of Understanding and Agreement, and Preliminary Warning Letters. 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 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. The Office of General Counsel 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*.

NSPM content last updated July 29, 2015.

1. General Responsibilities Regarding Administrative Remedies

A. E&I and the Office of General Counsel

- 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

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2. Types of Administrative Remedies

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

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A. Informal Actions

The Regional Director must approve all informal actions with the exception of a Document of Resolution. Informal actions include the following:

- Document of Resolution (DOR)
- Regional director Letter (RDL)

- Letter of Understanding and Agreement (LUA) (non-published)
- Preliminary Warning Letter (PWL)
- Regulator leverage

Regulator leverage is an action to withhold or allow conditional approval as part of the approval process because of a regulatory compliance or safety and soundness issue. It is available when a credit union is seeking fixed asset waivers, member business loan waivers, field of membership expansions, etc. Rescinding previously approved waivers due to safety and soundness issues is considered "regulator leverage." For more information, see Supervisory Letter 10-04, *Administrative Remedies*.

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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 NCUA's satisfaction.

Unlike most informal actions, formal actions are authorized by statute (mandated in some cases), are generally more severe, and may be disclosed to the public. The Office of General Counsel 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.

Formal actions include:

- Published LUA
- Immediate and/or permanent cease and desist order
- Civil money penalty
- Involuntary liquidation
- Conservatorship
- Removal and/or prohibition
- Termination of insurance and/or revocation of charter

- Some PCA-related actions, such as ordering a new election or dismissing a director or senior officer (see the Prompt Corrective Action section of this manual for more information about PCA)

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3. Document of Resolution (DOR)

The AIRES DOR module enhances the administrative record as it improves the tracking and reporting of unresolved DOR items. Reports generated from this data summarize and track problem areas to highlight the resolution of outstanding problems. The *AIRES 2005 User's Manual* addresses the proper use of the DOR module. Examiners will make full use of the DOR module.

NCUA requires (by the lease agreements) State Supervisory Authorities (SSAs) who use NCUA issued laptops to use the AIRES program, and specifically the DOR module. During the course of WCC 26 reviews, NCUA examiners will add any problem codes (and associated corrective action) needed beyond those input by the SSA as directed in in this manual.

NSPM content last updated July 29, 2015.

A. Field Staff Responsibilities

In order to ensure a full administrative record of problem areas, examiners will:

- Create DOR items and assign problem codes using the DOR module in AIRES
- Ensure DOR items are consistent between the DOR module and the DOR
- 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 the 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. Elevated administrative action will be used if management's action plan is insufficient to address the problem(s) and the problem(s) remain unresolved.

If the SSA did not enter problem codes in the DOR module but provided a DOR to the credit union, NCUA examiners are required to do so for items that meet NCUA's definition of a DOR.

NSPM content last updated July 29, 2015.

B. Reviewing Outstanding DOR Items

Recurring or unresolved problems are continually identified as leading to credit union failures and losses to the share insurance fund. Examiners must ensure that items significant enough to be included in a DOR are resolved in a timely manner. The following conditions apply to all credit unions with recurring or unresolved DOR items, regardless of CAMEL rating:

- Ensure all prior examination DOR items are properly noted as resolved, unresolved, or no longer applicable, and appropriately documented within the DOR module.
- Ensure repeat problem areas are properly noted with accurate comments and accurate dates of identification. When the original identification date is used for repeat DOR items, examiners will ensure the corrective action is the same as the previous DOR (not necessarily the wording – but the type of corrective action).
- Examiners will document credit union officials' failure to adequately resolve problems by placing an asterisk beside the repeat DOR item and footnote it with the following statement: "This is either a repeat or carry-over DOR. Please see the DOR Status Update document for specific information on individual DOR items."
- When credit unions have recurring or unresolved DOR items, examiners must consider the quality of management and weigh management's failure to resolve problems in the management CAMEL component and overall composite ratings.
- If a credit union fails to take corrective action within the timeframe stated in the DOR, the credit union will be required to submit a written response to the examiner. This applies to all credit unions regardless of CAMEL rating. If the 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 (enter information in the "DOR Status and Comment" section). If additional documentation is needed beyond what is provided to the credit union in the DOR Status Report or other open sections of the report, the Confidential Section may be used.

- If the credit union fails to address outstanding DOR items, the examiner will recommend additional enforcement action, such as a Regional Director letter (RDL), Letter of Understanding and Agreement (LUA), or Preliminary Warning Letter (PWL). If the supervisor does not concur with additional enforcement action, examiners will document the rationale in the Confidential Section. Examiners will include the nature of the problem, agreements to correct the problem, their supervision plans, and the reason no additional enforcement action was pursued.

NSPM content last updated July 29, 2015.

C. DORs Not Adopted

Examiners will work with credit union management to develop corrective action plans. However, if officials do not adopt the DOR or a specific corrective action plan at the exit meeting or joint conference, examiners will document the officials' disagreement or inaction using the following footnote:

"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, (enter appropriate address), by (enter date), of the actions to be taken."

NSPM content last updated July 29, 2015.

D. Reporting Identification Date for Problem Codes

Examiners will input all problems meeting the criteria for a DOR item into the AIRES DOR module for problem code tracking purposes. The AIRES DOR module and corresponding problem codes are to track repeat problems and DOR corrective action items, not necessarily continued areas of concern.

Examiners will complete the problem code area in the AIRES DOR module, including the date the problem was first identified. The problem code and associated date will be specific to the problem and not just the problem area or risk factor. When completing the problem code areas in the AIRES DOR module,

examiners will list the effective date the specific problem was originally identified.

When a problem was identified in the past, but was resolved and remained resolved for a period of time (at least one to two contacts) examiners should not use the original date identified, but code it as a new problem. Examiners should ensure they are recording the corrective actions taken to resolve specific problems and not combine similar problems as an ongoing problem.

For example, a small credit union may have had internal control problems for ten years. NCUA needs to track whether the credit union is complying with the specific DOR corrective action plans issued at each exam. At the June 30 examination, the examiner issued a DOR corrective action plan to cross train employees and increase segregation of duties. When the examiner performs a follow-up examination effective 12/31, the examiner finds the credit union is in compliance with this corrective action plan and the examiner should show this DOR item as resolved. During the December 31 follow-up examination, the examiner issues a DOR corrective action plan for the supervisory committee to expand their review area. The date identified for this DOR item is December 31 since it is a new problem with a new corrective action plan. However, this does not mean that internal controls are not an ongoing problem in this case. Examiners should acknowledge this and expand the scope as necessary, draft the 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 the same problems, even if there are long gaps between them, may warrant expanded review of that area or a DOR to address the root cause of the problem. Recurring problems are an indication that the root problem needs to be addressed. For example, if an examiner writes a DOR to fund the Allowance for Loan and Lease Loss (ALLL) account and determines at a follow-up contact, the officials properly funded the ALLL account, this DOR should be marked as "resolved". If the examiner notes at the next examination or contact 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 (e.g., 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 it does not need to remain in the DOR, the examiner will mark the DOR as resolved; otherwise, the examiner will mark the DOR item as unresolved and carry forward with the same date identified. If

the examiner wishes to re-write the DOR corrective action plan, they should mark it as resolved, noting in the comment section of the DOR module that only part of the DOR corrective action plan has been resolved, and then create a new DOR corrective action plan to address the remaining problems with the original date identified.

NSPM content last updated July 29, 2015.

E. Requiring a Credit Union to Cease an Activity

Examiners will use the following process when issuing a DOR that requires a credit union to cease or suspend an activity.

Step	Notes
1. Obtain and document SE approval or disapproval in the Confidential Section when issuing a DOR that requires the credit union to cease an activity.	Depending on the severity of the situation, escalated administrative action (Regional Director letter, LUA, C&D, etc.) may be necessary.[1] Clearly outline the steps the credit union must to take to resume the activity in the DOR.
2. Identify when you will perform a follow-up contact (on or off-site) to determine if the credit union has complied with the DOR item based on the timeframe for completion provided to the credit union.	Include this time in the "Plans and Budget" tab of the Scope module of AIRES.
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 exam-	The regional office will then notify the examiner and SE.

[1]For example, if a credit union has placed a large percentage of its assets in member business loans in a two-month period without adequate controls, policies, or procedures, a Cease and Desist order may be warranted in addition to a DOR.

Step	Notes
ination report).	
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.	The ARD may approve exceptions to the 120-day follow-up requirement.
5. Complete an AIRES upload and issue a report to officials notifying them of whether they have met the requirements to resume the activity.	If the credit union has not adequately corrected the problem(s), outline the remaining steps the credit union must take to resume the activity.

This process does not prohibit the 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.

NSPM content last updated July 29, 2015.

F. Marking DOR items as No Longer Applicable (NLA) in the DOR Module

There may be instances when an examiner will need to mark a DOR item as NLA rather than "Resolved" or "Unresolved". Examiners will not use NLA if the credit union has resolved the problem. Examiners must provide a comment when marking an item as "NLA".

An example of when it may be appropriate to use NLA: The DOR required the credit union to perform due diligence on a new indirect lending program. When the examiner returns, the credit union has discontinued the indirect lending program.

NSPM content last updated July 29, 2015.

G. Quality Control

E&I will periodically review reports and sample 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.

NSPM content last updated July 29, 2015.

4. Regional Director Letter

A Regional Director letter (RDL) 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

NSPM content last updated July 29, 2015.

A. Field Staff Responsibilities

- Discuss the recommendation for a Regional Director letter with the supervisor
- Document the need for the Regional Director letter in the Confidential Section
- Address the primary areas of concern, corrective actions, expectations, and required response(s)
- Be direct, concise, and clear; as a general guideline, Regional Director letters 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 the credit union's response is timely and appropriate.
- Indicate the recommendation of a Regional Director letter in the Examiner's Comments section on the Completion Information tab of the Examination Management Console (EMC) in AIRES
- Email the draft Regional Director letter 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 a Regional Director letter through the supervisor (and then follow normal processing through the regional office) to provide the credit union with the notification. This would only occur under a rare circumstance with justification documented in the Confidential Section.
  - Use the Acknowledge LUA and CAMEL Downgrade template
  - If 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 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.

NSPM content last updated July 29, 2015.

B. Division of Supervision Review

- Division of Supervision will review all draft Regional Director letters and prepare them for the Regional Director's signature.
- DOS may make minor modifications to these letters, but if it becomes necessary to make major changes to the content (e.g., 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 Regional Director letter 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 a Regional Director letter, DOS will discuss the decision with the field supervisor, who will then discuss it with the examiner.

NSPM content last updated July 29, 2015.

5. Letter of Understanding and Agreement

A letter of understanding and agreement (LUA) 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 NCUA and formally requests that officials agree to the listed actions in lieu of NCUA 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.

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B. [redacted]

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NSPM content last updated July 29, 2015.

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F. Issuing 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 the exam open to issue the LUA at the joint conference, requesting a waiver of the 60-day completion requirement (up to 90 days) for processing an LUA is justifiable.

- Examiners will obtain supervisor concurrence and document agreement in the Confidential Section as required by the NSPM.

- Examiners must discuss the intent and the preliminary content of the LUA during the preliminary meeting with management in advance of signing the LUA. Examiners and their supervisor will notify management the issuance of an LUA is subject to review by the Regional Director.
- Examiners will draft an LUA and email it to their supervisor no later than three business days after completing the contact.
- Supervisors will review the LUA and make a recommendation to either issue the LUA or not. The supervisor will notify the appropriate associate regional director of all LUAs to be issued regardless of asset size of the credit union.
- Supervisors will 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.
- DOS will discuss all material changes to the LUA with the field supervisor. DOS will 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. DOS will 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 the 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.

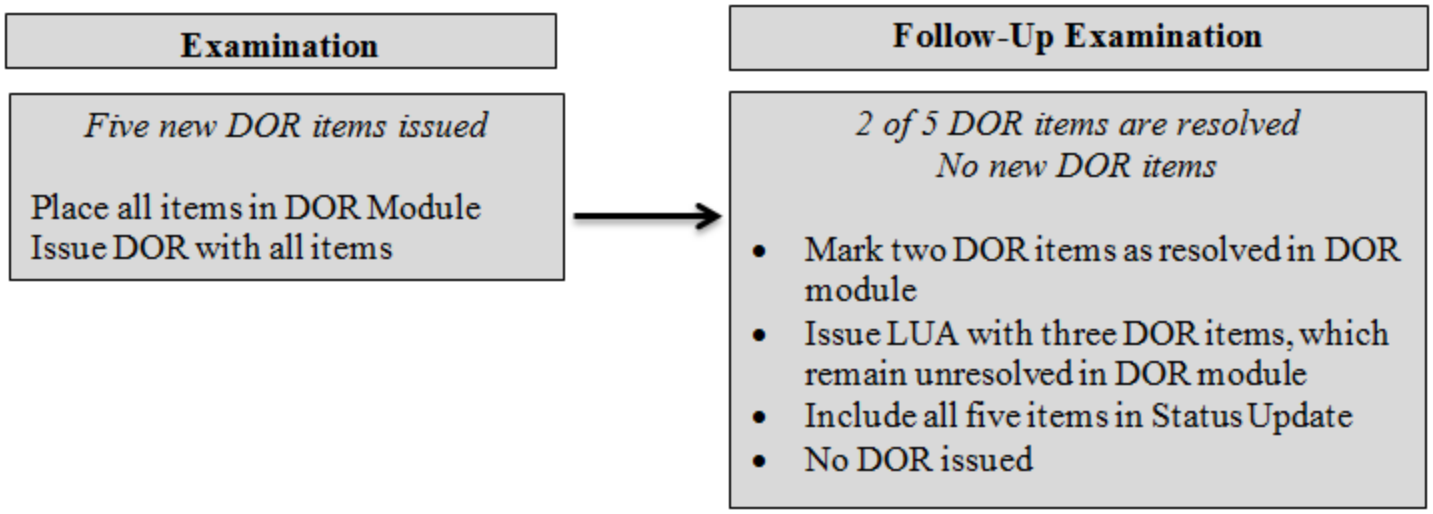
NSPM content last updated July 29, 2015.

1. Problem Code Illustration

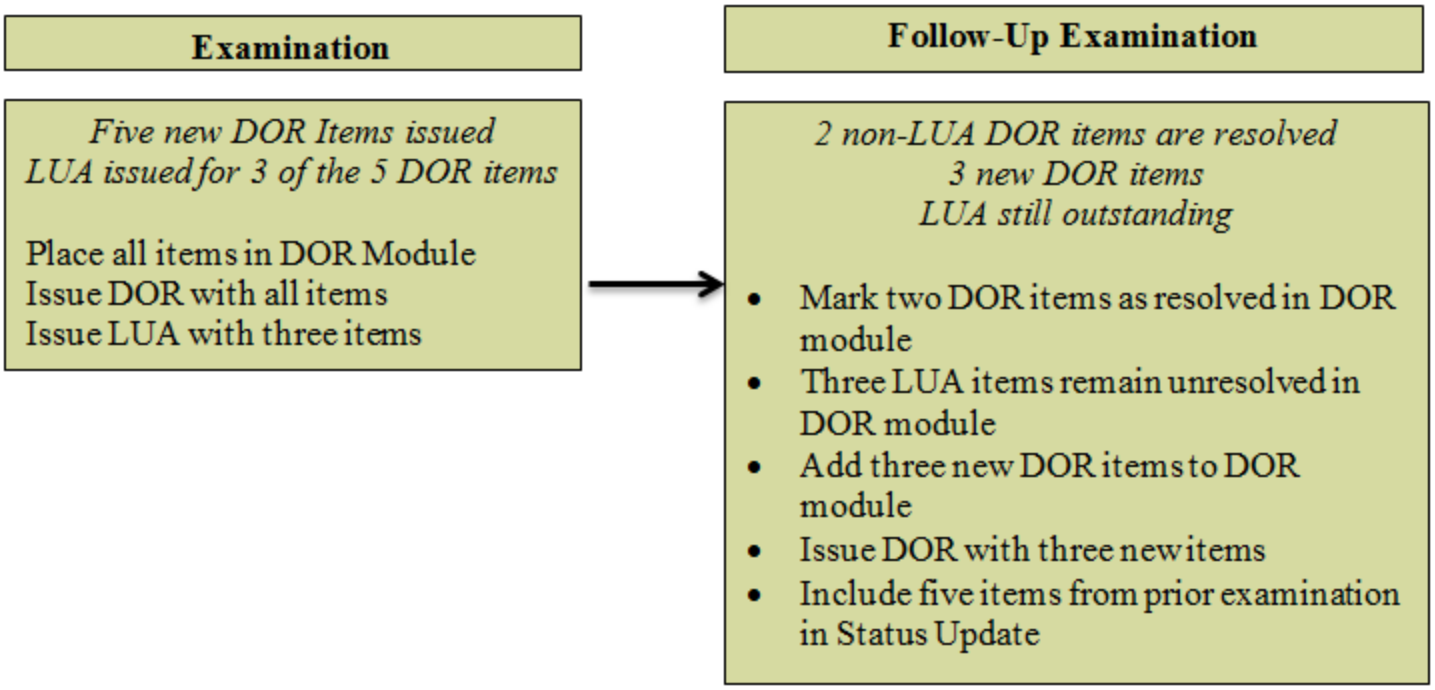
An item in an LUA must be recorded in the DOR module and flow through the DOR either at a prior contact or at the same contact the LUA is issued. The problem code in the DOR module should remain unresolved until the problem is resolved, regardless of whether the problem is outlined in the DOR or LUA.

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

Scenario A



Scenario B



NSPM content last updated July 29, 2015.

G. Delivering an LUA

- Examiners and the 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 the supervisor will attend all joint conferences where the examiner presents an LUA to officials. For federally-chartered credit unions, examiners will document the supervisor's attendance in the Confidential Section of the examination report. For state-chartered credit unions, examiners will document the supervisor's attendance in the WCC 26 Review or memo summarizing the results of the joint examination.
- Examiners will arrange for delivery of an LUA as soon as possible, but within 14 business days after receipt of the final approved version.
- Examiners will conduct the meeting and explain the LUA.
- 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.
- After meeting with officials, examiners will collect all signed LUAs to submit them to the regional office for the Regional Director's signature.

NSPM content last updated July 29, 2015.

H. Delivering a Final, Signed LUA

- Within three business days following the LUA meeting, examiners, through their supervisor, will send the original signed LUA copies (minimum of two) to DOS for the Regional Director to sign.
- After the Regional Director signs the LUA, DOS will mail one of the original signed LUA copies to the credit union with the Regional Director cover letter. DOS will maintain the other original signed LUA copy in the regional office's charter file and an electronic copy (scanned copy with signature) on the DOS drive.
- DOS will scan and email electronic copies of the signed LUA to the examiner and their supervisor. In the case of a jointly issued LUA, DOS will mail a copy of the signed LUA to the SSA (or an original third signed copy if the regional office preferred the examiner to obtain a third signed copy).
- In the situation where an LUA is issued and the credit union was downgraded to a CAMEL 4 or 5, a Regional Director letter acknowledging the LUA and downgrade may be appropriate. The Regional Director letter acknowledges the LUA, includes a brief synopsis of the problems, and notes the requirements of NCUA rules and regulations §701.14 regarding the selection of officials and senior management for troubled credit unions.

NSPM content last updated July 29, 2015.

I. Supervision Contacts for a Credit Union with an LUA

Frequency of examinations, follow-up examinations, and onsite supervision contacts is driven by a credit union's CAMEL ratings and overall risk to the share insurance fund. Examiners will consider any outstanding administrative actions when planning supervision and assigning the CAMEL ratings. If examiners encounter a credit union with an outstanding administrative action (and associated risk), and the risk is not reflected in the CAMEL ratings (which drive the frequency of supervision), they will discuss with their supervisor and plan supervision accordingly.

Unless there are extenuating circumstances, and approved by the associate regional director, supervision of credit unions with outstanding administrative actions will be in line with national policy for CAMEL 3, 4, or 5 credit unions.

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

- Prepare and distribute the examination or supervision contacts reports in the same manner as other examinations and supervision contacts
- Document compliance with the LUA in the Status Update during each contact. 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)

NSPM content last updated July 29, 2015.

J. Terminating 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. NCUA will consult with the SSA for termination of joint LUAs.

NSPM content last updated July 29, 2015.

6. Preliminary Warning Letter

Examiners will draft a preliminary warning letter (PWL) 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.

NSPM content last updated July 29, 2015.

A. Division of Supervision Review

- 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
- Document supervisor concurrence on a PWL in the Confidential Section as required by the NSPM
- 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.

NSPM content last updated July 29, 2015.

C. Content of a Preliminary Warning Letter

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

- A statement of impending administrative action by NCUA
- The following wording where the primary problem area is poor management: "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 list of the serious area(s) of concern and cite of the Federal Credit Union Act or regulation violated
- The required actions and timeframes for resolving the area(s) of concern
- Direct, concise, and clear language

NSPM content last updated July 29, 2015.

D. Delivering a Preliminary Warning Letter

The supervisor will determine whether to hand deliver or mail a PWL based upon 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.

NSPM content last updated July 29, 2015.

E. Supervision Contacts for a Credit Union with a Preliminary Warning Letter

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 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. 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. Refrain from recommending the 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. The examiner will prepare a draft letter for the Regional Director's signature explaining why they recommend removal of the PWL.
- Recommend escalated administrative action if the 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, etc. Refer to NCUA Instruction 4820, *Enforcement Manual*, for processing procedures for civil money penalties, involuntary liquidations, conservatorships, etc.
- Document the existence of a PWL within AIRES under "Other Administrative Action" (within the "Administrative Tracking" section located on the "Completion Information" tab of the Exam Management Console).

NSPM content last updated July 29, 2015.

F. 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.

NSPM content last updated July 29, 2015.

7. Civil Money Penalty

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

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*.

NSPM content last updated January 27, 2016.

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 Division of Supervision 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 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.

NSPM content last updated January 27, 2016.

E. Civil Money Penalty Waiver

The Director of the Office of Examination and Insurance has the delegated authority to reduce or waive a civil money penalty issued due to late filing of a 5300 Call Report. NCUA may elect not to assess a penalty if a credit union files late due to extenuating circumstances such as those listed below.

- "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 NCUA accidentally "unsubmit" a Call Report after successfully submitting it prior to the deadline
- Merger with another credit union
- Liquidation or conservatorship

NSPM content last updated January 27, 2016.

8. Initiating a Formal Administrative Action

Before deciding to take formal administrative action, an examiner and their supervisor must clearly understand the nature of the credit union's problems and why any previous attempts to resolve the problems failed. Examiners are responsible for ensuring the 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 on in cases where formal administrative action is recommended.

Refer to NCUA Instruction 4820, *Enforcement Manual*, for more information about processing formal administrative actions.

NSPM content last updated July 29, 2015.

9. Special Assistance Cases

Various types of special assistance are available to help resolve serious credit union problems. Refer to the *Examiner's Guide* and toNCUA Instruction 4820, *Enforcement Manual*, for guidance on special assistance available.

NSPM content last updated July 29, 2015.

10. 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. 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, Regional Director letters issued, 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]

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

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

NSPM content last updated July 29, 2015.

11. 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

NSPM content last updated July 29, 2015.

Sample: Regional Director Letter

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Template: Notify FISCU of Troubled Condition

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Template: Upgrade a FISCU from Troubled Condition Status

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Template: Acknowledge LUA and CAMEL Downgrade

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Template: LUA Addendum

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Template: LUA Cover Letter

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Template: Non-published LUA

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Template: LUA Removal

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Sample: Preliminary Warning Letter

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Sample: BSA-Specific Preliminary Warning Letter

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Samples: Preliminary Warning Letter Removal

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Chapter 2. Audits, Recordkeeping, and Fraud

Supervisory committee audits are required under Part 715 or Part 741of NCUA rules and 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 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.

NSPM content last updated January 13, 2017.

1. Field Staff Responsibilities

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

NSPM content last updated July 29, 2015.

2. Audit Firms Located Outside the Geographic Area

Per §715.10 of the NCUA rules and 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.

NSPM content last updated July 29, 2015.

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 which fulfills the requirements of Part 715 or Part 741 of NCUA's rules and 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.

In either case, the external auditor needs to send the audit report directly to the examiner. If an auditor refuses to provide an audit report directly to the examiner, even 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 or scheduling a meeting with the auditor to review the audit).

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, 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.

NSPM content last updated January 13, 2017.

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 compliance 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
- Require the SC to provide a monthly status report of their progress to the examiner
- Document the audit or Member Account Verifications deficiencies as a problem code using the DOR module (within "Compliance Risk" Risk Area of DOR module)
- Establish a follow-up supervision contact within 60 days of the last contact's completion 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 rules and 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.

NSPM content last updated July 29, 2015.

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 4016.01, *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 4016.01.

> 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 NCUA rules and regulations or the Supervisory Committee Guide minimum procedures.

If the licensed independent accountant denies access to the work papers, examiners will contact the SC chairman 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.

NSPM content last updated July 29, 2015.

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, and obtain agreements from the officials to achieve the stated goals
- Require the SC/designated person to provide monthly status reports electronically or by phone
  - Reports should note the progress made to remedy the recordkeeping 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)
- Complete an onsite follow-up supervision contact within 90 days of the last contact's completion date
- Conduct an onsite supervision contact every 90 days (from the time the problems were identified) until all problems are resolved
  - The supervisor must approve in writing any extension beyond 90 days with notification to the ARDP and DOS
  - The examiner must document any extensions in the Confidential Section
- Establish a resolution date of 180 days or less

A. Incomplete Bank Reconcilements or Over 60 Days in Arrears

Examiners: 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 functional 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 be related to 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 meet with their supervisor and discuss 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 concurrence received in the Confidential Section; or
- Complete the examination using the most current meaningful data available. If this option is taken, examiners will note in the Confidential Section if the officials have failed to meet agreements to 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 NCUA rules and regulations, the EIC may compel a federal credit union to obtain a financial statement audit performed in accordance with generally accepted auditing standards (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 which 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.

NSPM content last updated January 23, 2017.

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 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.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

9. Dishonesty, Fraud, and Insider Dealings

Field staff that discover fraud or a shortage will document the fraud or shortage as completely as possible and notify their supervisor. Field staff will instruct the credit union's officials to properly address the situation, including considering the following actions after consulting with the credit union's legal counsel:

1. Suspend the personnel involved with pay
2. Control involved personnel's access to the credit union
3. Fill the operational void caused by the suspension
4. Contract to perform a fraud audit
5. Notify surety
6. File a bond claim, as appropriate
7. Complete a Suspicious Activity Report (SAR)

Field staff should remind credit union management that the filing of any SAR is confidential and should not be disclosed to credit union personnel named in the filing.

Field staff cannot direct or require a credit union to terminate or suspend an employee. Field staff should ensure that management understands that it is their choice on the appropriate action to take.

NCUA will decide separately whether to take an enforcement action, such as a prohibition, against an insider who has committed fraud. Field staff must seek input for this decision from their supervisor, regional office and, if necessary, OGC. If an insider is convicted of a crime of dishonesty, a prohibition results automatically by operation of law.[1]

NSPM content last updated September 12, 2016.

10. Fraud Report Investigations

The Office of General Counsel monitors the toll free NCUA Fraud Hotline (800-827-9650). Upon receiving a report of suspected fraud or other irregularities, OGC will forward a Fraud Hotline Report to the appropriate Regional Director for review. Reports of suspected fraud or other irregularities might also be received in the regional office from other sources.

DOS will review the complaint after the regional office receives a Fraud Hotline complaint. The regional office will then send a copy of the Fraud Hotline complaint and any supporting documents to the appropriate supervisor, with a copy to the examiner, accompanied by a work assignment.

Examiners will review the fraud report and supporting documentation and discuss with their supervisor. The examiner will make an onsite visit to the credit union, if deemed appropriate by the supervisor. The names of parties filing a complaint should be kept in confidence. During a review, examiners are encouraged to review source documentation, such as relevant statements and supervisory override reports. Examiners should also discuss the allegations with management or other pertinent individuals, as necessary.

Examiners will prepare the following, based on the analysis performed:

- A Regional Summary or memo documenting the review of the allegations contained in the fraud report that includes, at a minimum:
    - Merits of each allegation contained in the fraud report
    - Background information on the allegations contained in the fraud report
    - Scope of the review (actions taken to determine validity of the allegations)

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[1] 12 U.S.C. §1785(d)

    - Results of the review (findings in connection with the allegations)
    - Conclusion indicating whether allegations are substantiated or unsubstantiated
    - Identify any action(s) taken where the allegations were substantiated
    - Recommendation for further action, if necessary
- A draft memo to OGC from the Regional Director responding to the Fraud Hotline complaint. The memo must address whether the complaint was found to be valid and what, if any, additional supervision will be performed on a regional level to ensure inappropriate practices are discontinued. The memo should also indicate whether any assistance from OGC is required and, if so, indicate the nature of the assistance needed (if the fraud report was initiated in the regional office, this memo is not necessary).

When it is determined allegations of fraud or improper conduct are substantiated, supervisors are responsible for ensuring appropriate corrective action is initiated at the field level and documented in the report.

If it appears subpoenas for documents or testimony will be needed, the Regional Director, through DOS, should be notified immediately so assistance may be requested from OGC.

NSPM content last updated July 29, 2015.

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 (BSA) 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. BSA 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* (Apr. 23, 2004)
- NCUA website regarding BSA
- Chapter 18 and Appendix 18A of the *Examiner's Guide*
- Interagency Statement on Enforcement

NSPM content last updated July 29, 2015.

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 (e.g., 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.

NSPM content 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 (e.g., 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.

[redacted]

NSPM content last updated July 29, 2015.

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
- [redacted]
- [redacted]
- 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.

NSPM content last updated July 29, 2015.

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. [redacted]
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.

[redacted]

1. 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.

NSPM content last updated July 29, 2015.

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7. Resolution of Significant BSA Violations

- Federal credit union
- Federally insured, state-chartered credit union

NSPM content last updated July 29, 2015.

A. Federal Credit Unions

[redacted]

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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.

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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.

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NSPM content last updated July 29, 2015.

B. Federally Insured, State-Chartered Credit Unions

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.

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NCUA has the enforcement authority for FISCUs examined by NCUA (SSA has authority to review). The term "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.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

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.

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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)

NSPM content last updated July 29, 2015.

Chapter 4. Change of Officials for Troubled and Newly Chartered Credit Unions

Under §701.14 of NCUA rules and regulations, federally insured credit unions meeting certain conditions (see the Affected Credit Unions section of the NSPM) must obtain the Regional Director's approval for personnel changes (i.e., 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, NCUA will consult with the appropriate state supervisory authority 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 the 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.

NSPM content last updated July 29, 2015.

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

NSPM content 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.

NSPM content last updated July 29, 2015.

3. Affected Credit Unions

- Chartered within the past two years
- For FCUs assigned a CAMEL composite rating of 4 or 5 by NCUA or, for FISCUs, an equivalent of CAMEL 4 or 5 by either 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

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NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

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 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.

Reference	Description	Timeframe	Automatic Approval
§701.14 c (2)(i) Waiver of Prior Notice – Change in Official or Senior Executive	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.	None	No

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

7. Grounds for Denial

The Regional Director will provide specific reasons for denial based on the authority of §701.14(e) of NCUA rules and regulations. All disapprovals require the concurrence of the Office of General Counsel (OGC). 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 NCUA rules and 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 NCUA rules and regulations requires certain minimum bond coverage for credit union employees and officials. Therefore, if an applicant is unable to secure the required minimum coverage they may not serve and there is no need for any review under §701.14(e).

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

- Summarize the reasons for denial, providing specific reasoning as to why the application is denied. When the applicant provides an explanation for potentially disqualifying information any denial should discuss why on balance these mitigating factors are insufficient
- Inform the credit union and the individual of their rights to file a written request for reconsideration to the Regional Director within 15 calendar days of receipt of the notice of denial, or file an appeal directly with the NCUA Board

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NSPM content last updated July 29, 2015.

8. Request for Reconsideration and/or Appeal

As stated in the NSPM, 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 documents not previously available
- Contain the specific reasons why 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 NCUA rules and regulations provides guidance for the appeal.

NSPM content last updated July 29, 2015.

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 NCUA is aware of the credit union's withdrawal.

NSPM content last updated July 29, 2015.

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

NSPM content last updated July 29, 2015.

Template: Respond to Incomplete Application for Change of Officials

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Template: Acknowledge Complete Application for Change of Officials

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Template: Waive 30-Day Notification Requirement for Change of Officials

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Template: Approve Change of Officials

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Template: Deny Change of Officials Due, In Part, to Adverse Credit

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Template: Deny Change of Officials Due, In Part, to Adverse Credit (Letter to Applicant) [redacted]

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Template: Deny Change of Officials Not Due to Adverse Credit

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Template: Deny Change of Officials Not Due to Adverse Credit (Applicant Letter)

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Template: Change of Officials Pre-Adverse Action Disclosure Letter

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Template: Acknowledge Request to Withdraw Application for Change of Officials

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Chapter 5. Corporate Credit Union Program and Procedures

The NCUA Board created the Office of National Examinations and Supervision (ONES) 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 NCUA rules and 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:

Standard Term/Language	ONES Equivalent
AIRES	Corporate Examination Work Center
Call Report 5300	Call Report 5310
Quarterly Call Reports, management reporting, trend analysis, etc.	Monthly Call Reports, management reporting, trend analysis, etc.

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.

NSPM content last updated July 29, 2015.

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. Division of Supervision Initial Responsibilities (Review Request)

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

If a request is complete, DOS will:

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

If a request is incomplete, DOS will:

- Prepare and send an incomplete/denial letter to the credit union using the preferred expedited mail delivery service

- Ensure the letter lists the additional information the credit union must submit if they would like the request to be considered
- DOS will copy the examiner and supervisor on the letter

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. Division of Supervision Responsibilities (Process Request)

Upon receipt of the field's recommendation, DOS will review and analyze the recommendation for appropriate support and justification. Upon concurrence,

DOS will:

- Submit the recommendation and proposed response letter to the director for approval and signature
- Mail the signed letter to the credit union using the preferred expedited mail delivery service (copying the examiner and supervisor)

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

- Notify the supervisor of the reason(s) for the lack of concurrence, giving the field the opportunity to further support or revise their recommendation in the Regional Summary
- Draft revised correspondence
- Finalize the response letter for the director's signature
- Mail the signed letter to the credit union using the preferred expedited mail delivery service (copying the examiner and supervisor)

NSPM content last updated July 29, 2015.

4. Processing Corporate Requests for Expanded Authority

Appendix B to Part 704 of the NCUA rules and 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.

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 NCUA rules and regulations, a corporate'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.

NSPM content last updated July 29, 2015.

B. Request Requirements

As described in Appendix B to Part 704 of NCUA rules and 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.

NSPM content last updated July 29, 2015.

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

NSPM content last updated July 29, 2015.

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.

Part	Relating To	Approvals Required
I	NEV volatility	ONES director E&I concurrence
II	Foreign investments	NCUA Board
III	Derivatives	ONES director E&I concurrence OGC concurrence
IV	Participation Loans	ONES director

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.

NSPM content last updated July 29, 2015.

E. After Approving Corporate Expanded Authority

1. 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.

2. 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.

NSPM content last updated July 29, 2015.

5. Investment Action Plans (IAP)

Sections 704.6(h) and 704.10 of the NCUA rules and regulations state requirements for an Investment Action Plan (IAP). NCUA's expectation is that corporates will maintain the quality of their investment portfolio in accordance with Part 704 by evaluating securities, their issuers, and any counterparties in all investment transactions.

Any corporate 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 the corporate does not sell the failed investment, and the investment continues to fail to meet a requirement of Part 704, the corporate must, within 30 calendar days of the failure, provide the ONES director a written action plan described in §704.10 of NCUA rules and regulations.

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.

NSPM content last updated July 29, 2015.

A. After Approving an Investment Action Plan

1. 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.

2. 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.

3. 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.

NSPM content last updated July 29, 2015.

6. Capital Restoration Plans

A. General Responsibilities

1. Field and Office Responsibilities

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

Any undercapitalized corporate 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

2. 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))

NSPM content last updated July 29, 2015.

B. Processing a Capital Restoration Plan

1. Federal Credit Union CRP

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

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

Examiners must submit a draft letter that outlines approval or denial of the CRP to ONES Mail through their supervisor. Employees can modify the Approve

NWRP/RBP and Deny NWRP/RBP templates for corporate use. If you recommend denying the plan, the letter must list the specific deficiencies in the plan that warrant denial. ONES DOS should ensure the delivery method of the letter to the credit union includes a signature.

2. 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

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NSPM content last updated July 29, 2015.

3. 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 NCUA rules and 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 NCUA rules and regulations.

NSPM content last updated July 29, 2015.

4. 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.

NSPM content last updated July 29, 2015.

5. 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.

NSPM content last updated July 29, 2015.

6. 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 NCUA rules and regulations when invoking discretionary supervisory actions (DSAs) and other correction actions (OCAs) for a critically undercapitalized credit union.

NSPM content last updated July 29, 2015.

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 NCUA pursuant to §704.11 of NCUA rules and 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 NCUA's website.

The Corporate CUSO Activities page on 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

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

NSPM content last updated July 29, 2015.

A. Corporate CUSO Activity Approval Requests

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

1. 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 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 NCUA, DOS will determine if the request meets criteria specified in §704.11 of NCUA rules and regulations and evaluate the risks associated with the activity. If necessary, DOS will consult with the district examiner, specialized examiner, E&I, or Office of General Counsel. 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

2. 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.

3. 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.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

8. Prompt Corrective Action

Prompt Corrective Action (PCA) for corporates is designed to restore and improve the capital of FCU and FISCU corporates. The principal purpose of §704.4 of NCUA rules and 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.

NSPM content last updated July 29, 2015.

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 NCUA rules and 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.

Capital Category Classification for Corporate Credit Unions	Leverage Ratio	Tier 1 RBC Ratio	Total RBC Ratio
Well capitalized	5% or higher	6% or higher	10% or higher

Capital Category Classification for Corporate Credit Unions	Leverage Ratio	Tier 1 RBC Ratio	Total RBC Ratio
Adequately capitalized	4% to 4.99%	4% to 5.99%	8% to 9.99%
Undercapitalized	Less than 4%	Less than 4%	Less than 8%
Significantly undercapitalized	Less than 3%	Less than 3%	Less than 6%
Critically undercapitalized	Less than 2%	Less than 2%	Less than 4%

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 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 NCUA rules and 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

NSPM content last updated July 29, 2015.

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:

1. 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.

2. 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.

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

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

Chapter 6. CUSO Registry

In November of 2013, NCUA issued a final rule affecting the relationship between credit unions and credit union service organizations (CUSOs). 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.

Parts 712 and 741 of NCUA rules and regulations apply to all federally insured credit unions that have an investment in, or loan to, a CUSO. The final rule requires CUSOs to agree, in writing, to provide information to NCUA on an annual basis.

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. 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 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.

NSPM content last updated September 12, 2016.

1. Field Staff and Regional Office Responsibilities

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 the Office of General Counsel.

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.

NSPM content last updated September 12, 2016.

3. Templates

- CUSO Registry Reporting Concern Form
- CUSO Registry Examination Follow-Up Letter

NSPM content last updated September 12, 2016.

Template: CUSO Registry Reporting Concern

***CUSO Registry* Reporting Concern**	
Credit Union Name	
Type of CUSO Relationship (check all that apply)	☐ Investor
	☐ Lender
	☐ Customer
NCUA Charter/Insurance Number	
CUSO Name[1]	
NCUA's Registry Number for the CUSO, if available[2]	
CUSO Contact Information	
• Name of CUSO CEO or credit union's primary point of contact at CUSO	
• Mailing address, if available	
• Email address, if available	
• Phone number of CUSO CEO or primary point of contact, if available	
Reporting concern	☐ No current registration
	☐ Materially inaccurate registration information
Description of reporting concern[3]	

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

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

[3] Examiners should provide a description that is specific enough that office staff can understand and accurately describe the issue in any communications with the CUSO and/or credit unions.

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] regsister 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 innacurate information*].

It is important that [CUSO name] regsister (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

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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.

Region/[WRITER'S INITIALS]
SSIC XXXX

cc: E&I
SSA (when applicable)
CEO of All Credit Union Investors/Lenders of Record
SE
EX

Template: CUSO Registry Regional Director Letter to Credit Union Owners or Lenders

NOTE: Print on NCUA letterhead

Date

Mr. John Doe
Board Chairperson
ABC Federal Credit Union
Address
City, State Zip

Dear Mr. Doe:

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

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

--*OR—*

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

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

Regards,

[Name]

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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 NCUA rules and 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 NCUA rules and regulations requires both FCUs and FISCUs to have a written agreement with their CUSO that requires the CUSO to provide NCUA with complete access to any books and records and allow NCUA to review internal controls as deemed necessary. This allows NCUA's review of CUSO operations.

NCUA does not have direct regulatory authority over CUSOs. However, 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 review procedures outlined in the NSPM and in the CUSO internal control questionnaire contained in AIRES Questions.xls.

NSPM content last updated September 12, 2016.

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.

NSPM content last updated December 30, 2016.

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

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NSPM content last updated December 30, 2016.

3. Scope of Review

NCUA staff conducting CUSO reviews should use the CUSO review scope workbook outlined in NCUA Bulletin 5060B, issued August 9, 2016. 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 NCUA rules and 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.

NSPM content last updated December 30, 2016.

4. CUSO Review Report and Work Papers

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 RIC will format these required sections using the CUSO review report template.

The report must include the following information, which the RIC can provide in any of the six sections listed above:

- 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 (see chapter 25 of the *Examiner's Guide*)
- List of services offered by the CUSO
- CUSO's financial data and trends (the RIC can use the embedded CUSO FINANCIAL TEMPLATE.xlsx worksheet to incorporate information and trends into the report at his or her discretion)

The RIC 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.

Upon completion of a review, the RIC will send a complete CUSO review package to the regional DOS. At a minimum, the package will include:

- CUSO review report (including any attachments and appendixes)
- Confidential Section

An AIRES file will not be uploaded for independent CUSO reviews.

NSPM content last updated July 29, 2015.

5. Distributing a Draft Review Report

The RIC will forward the draft review report to their supervisor (SE or DSA) for initial review. 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 RIC and the RIC'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 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 RIC 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 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.

NSPM content last updated December 30, 2016.

6. Distributing a Final Review Report

After the DOS analyst inputs management responses into the final report, he or she will finalize the report and distribute it as outlined below:

Cover Letter	Recipient
Draft Report Cover Letter to CUSO	CUSO officials
Final Report Cover Letter to Investors and Lenders	Credit union officials of each federally insured credit union that invests in or loans to the CUSO
Draft Report Cover Letter to SSA	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*.)
N/A	Regional SEs, DSAs and DEs, ARDO, ARDP, and DOS director
N/A	E&I (for distribution to SSAs who did not receive the report directly from the regions)

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

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

NSPM content last updated December 30, 2016.

7. Management Conference

Once DOS has distributed the final report, the RIC or supervisor may schedule a management conference with CUSO officials. This conference is not mandatory; the decision to hold such a meeting should be based on the level of concern identified during the review. 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 RIC 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 RIC 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 RIC will compile a final CUSO review package that includes all related and required review items (e.g. final report, Confidential Section, etc.). The RIC will upload 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.

NSPM content last updated December 30, 2016.

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.

NSPM content last updated December 30, 2016.

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 (e.g., 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.

NSPM content last updated July 29, 2015.

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 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 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.

NSPM content last updated July 29, 2015.

11. Templates

- CUSO Pre-Review Letter
- 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

NSPM content last updated December 30, 2016.

Template: CUSO Pre-Review Letter

NOTE: Print on NCUA letterhead

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NCUA
National Credit Union Administration

CREDIT UNION SERVICE ORGANIZATION

REVIEW REPORT

Name of CUSO

Date

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

The State of XXX (as applicable)
Reviewer in Charge: SSA Examiner's Name

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Template: Draft CUSO Review Report Cover Letter to CUSO

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Template: Draft CUSO Review Report Cover Letter to SSA

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Template: Final CUSO Review Report Cover Letter to CUSO

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Template: Final CUSO Review Report Cover Letter to Investors and Lenders

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Template: Final CUSO Review Report Cover Letter to SSA

Chapter 8. Derivatives Authority

NCUA rules and regulations Part 703, Subpart B allows federal credit unions to enter into certain derivatives transactions exclusively for the purpose of reducing interest rate risk. Section 741.219(b) requires federally insured, state-chartered credit unions to notify 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 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

NSPM content last updated July 29, 2015.

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

Derivatives Information Administration Log (DIAL), which is maintained on SharePoint.

- Field office responsibilities
- E&I responsibilities
- Review panel responsibilities
- Field office director responsibilities

NSPM content last updated July 29, 2015.

A. 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

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NSPM content last updated July 29, 2015.

B. 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 federally insured, state-chartered credit unions (FISCUs)
  - NCUA derivatives approvals granted, revoked, or denied
  - Supporting documentation for approvals and denials
- Acknowledge all credit union applications and appeals submitted to 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 a regional capital markets specialist (RCMS) or capital markets specialist (ONES) to a derivatives application review panel for each application
- Ensure systems and controls are in place to meet the standards of this section

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NSPM content last updated January 27, 2016.

C. 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 rules and regulations
- Act on credit union applications in accordance with the policies and procedures set out in related supervisory guidance and in this section

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NSPM content last updated July 29, 2015.

D. 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

NSPM content last updated July 29, 2015.

2. Derivative Application Review Procedures (applies only to federal credit unions)

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 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.

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.

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

NSPM content last updated July 29, 2015.

A. Step 1: 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)

NSPM content last updated July 29, 2015.

B. Step 2: 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 NCUA rules and 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

NSPM content last updated July 29, 2015.

C. Step 3: 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:

Employee	Role	Assigned by
Regional capital markets specialist (RCMS) or capital markets specialist (ONES)	Conducts qualitative review of each assigned derivatives application and makes joint recommendation to approve or deny derivatives authority	Field office or ONES
Senior capital markets		E&I

Employee	Role	Assigned by
specialist (SCMS)		

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

NSPM content last updated July 29, 2015.

D. Step 4: 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:

	Application Time Allotment, in Calendar Days		
Activity	**Interim Authority**	**Final Authority following Interim Authority**	**Final Authority with no Interim Authority**
Confirm credit union eligibility and review credit union's safety and soundness (field office)	10 days	10 days	10 days
Conduct and document qualitative review of application; document and route panel recommendation to approve or deny application to field director (review panel)	40 days	40 days	100 days

	Application Time Allotment, in Calendar Days		
Activity	**Interim Authority**	**Final Authority following Interim Authority**	**Final Authority with no Interim Authority**
Make final determination of application approval or denial and notify credit union (field director)	10 days	10 days	10 days
TOTAL	Up to 60 days	Up to 60 days	Up to 120 days

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 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.

NSPM content last updated July 29, 2015.

E. Step 5: 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

1. NCUA issues interim approval

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

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

2. NCUA issues final approval

The field office director will send the credit union a letter indicating that 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.

3. NCUA issues denial

The field director will send the credit union a letter indicating that 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.

NSPM content last updated July 29, 2015.

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 NCUA has denied derivatives authority. The denial letter provided by 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) NCUA should reconsider its decision, and must include any relevant material previously submitted. Section 703.111(d) of NCUA rules and 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

NSPM content last updated July 29, 2015.

4. Derivative Notification Procedures (applies only to FISCUs)

NCUA's derivative rule applies specifically to federal credit unions. The process for a federally insured, state-chartered credit union (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 state supervisory authority. 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 NCUA in writing at least 30 days before it begins engaging in derivatives transactions. The NCUA Notification of FISCU Derivatives Activity (FISCUs only) 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 Division of Supervision) will coordinate the receipt and processing of notifications of derivatives activity received from a FISCU.

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 NCUA's official record of the FISCUs that have notified NCUA of their intent to engage in derivatives.

NSPM content last updated July 29, 2015.

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 author-

ities 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

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NSPM content last updated July 29, 2015.

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

NSPM content last updated July 29, 2015.

Derivatives Information Administration Log (DIAL)

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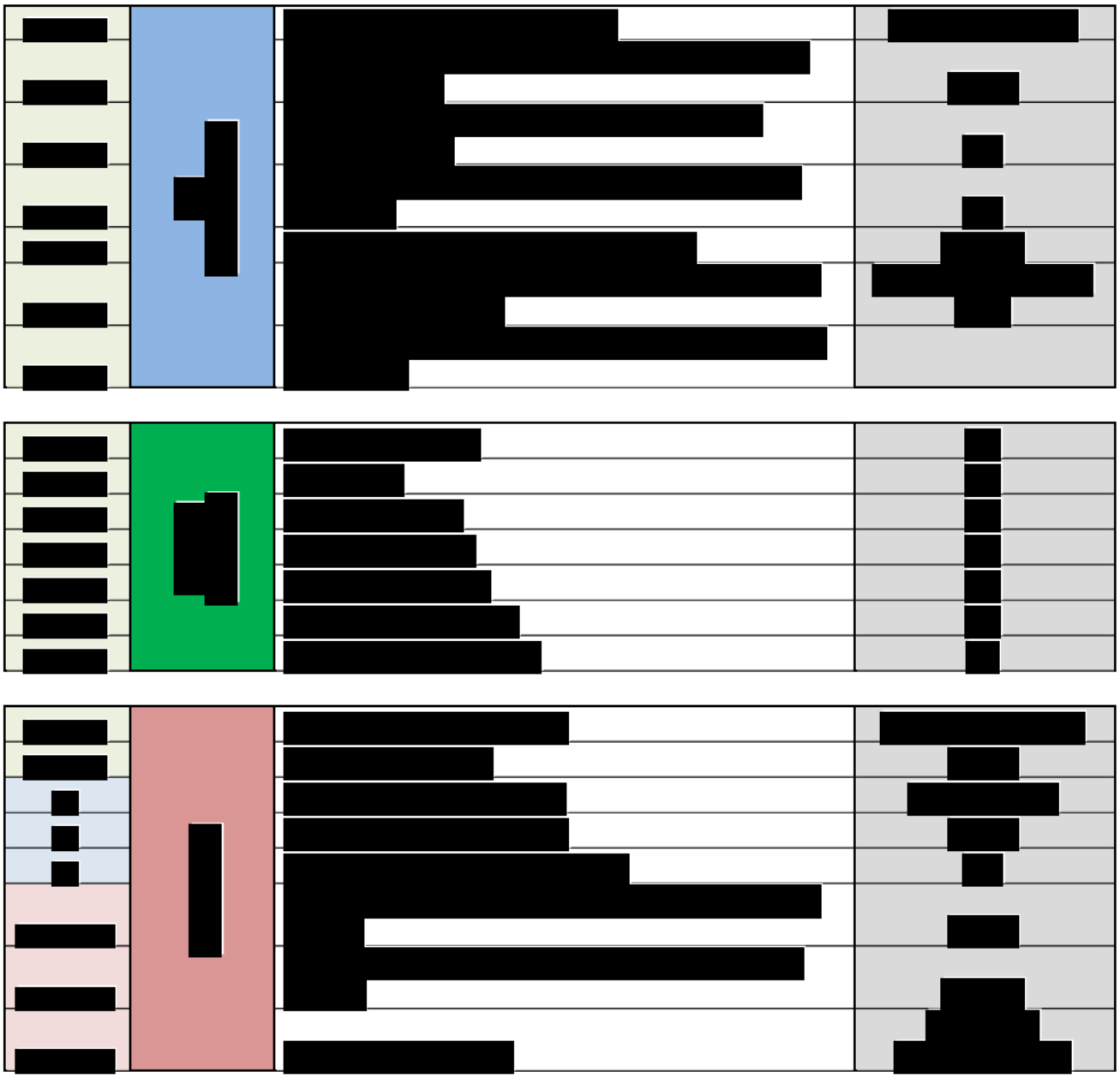
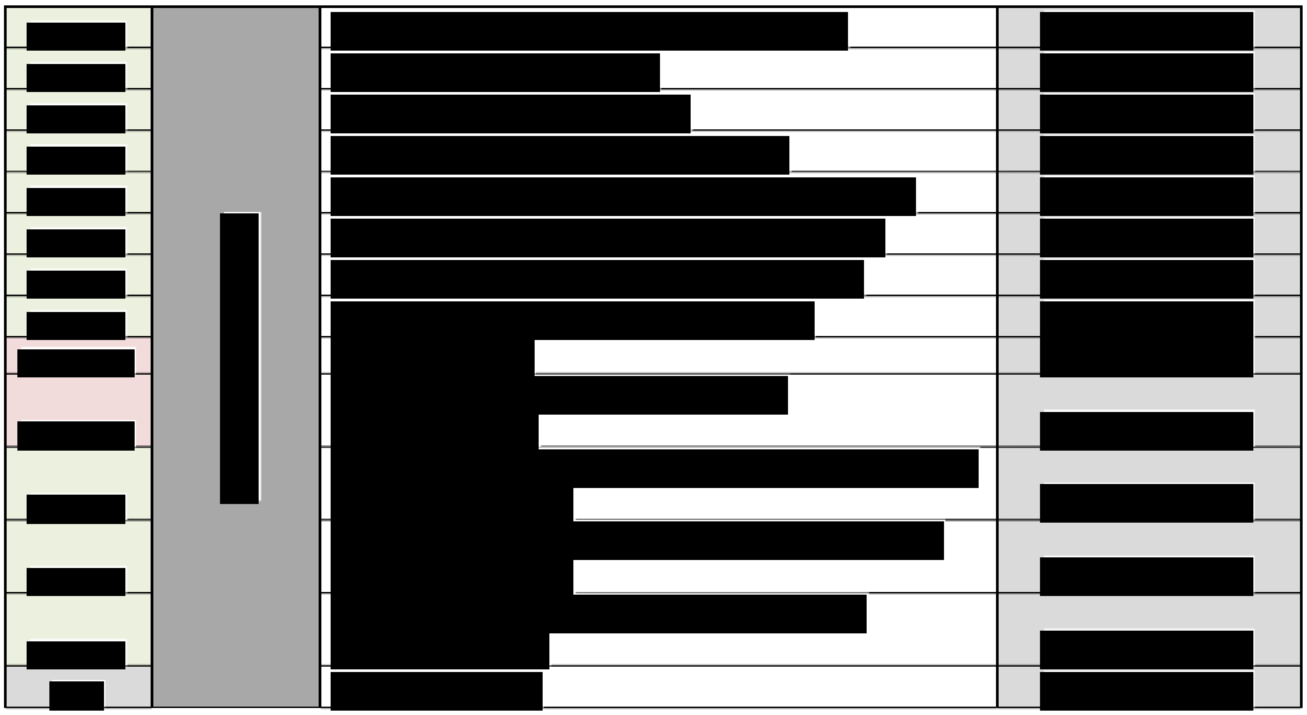
Derivatives Information Administration Log (DIAL)



Derivatives Information Administration Log (DIAL)



Derivatives Authority
Qualitatitive Review Checklist

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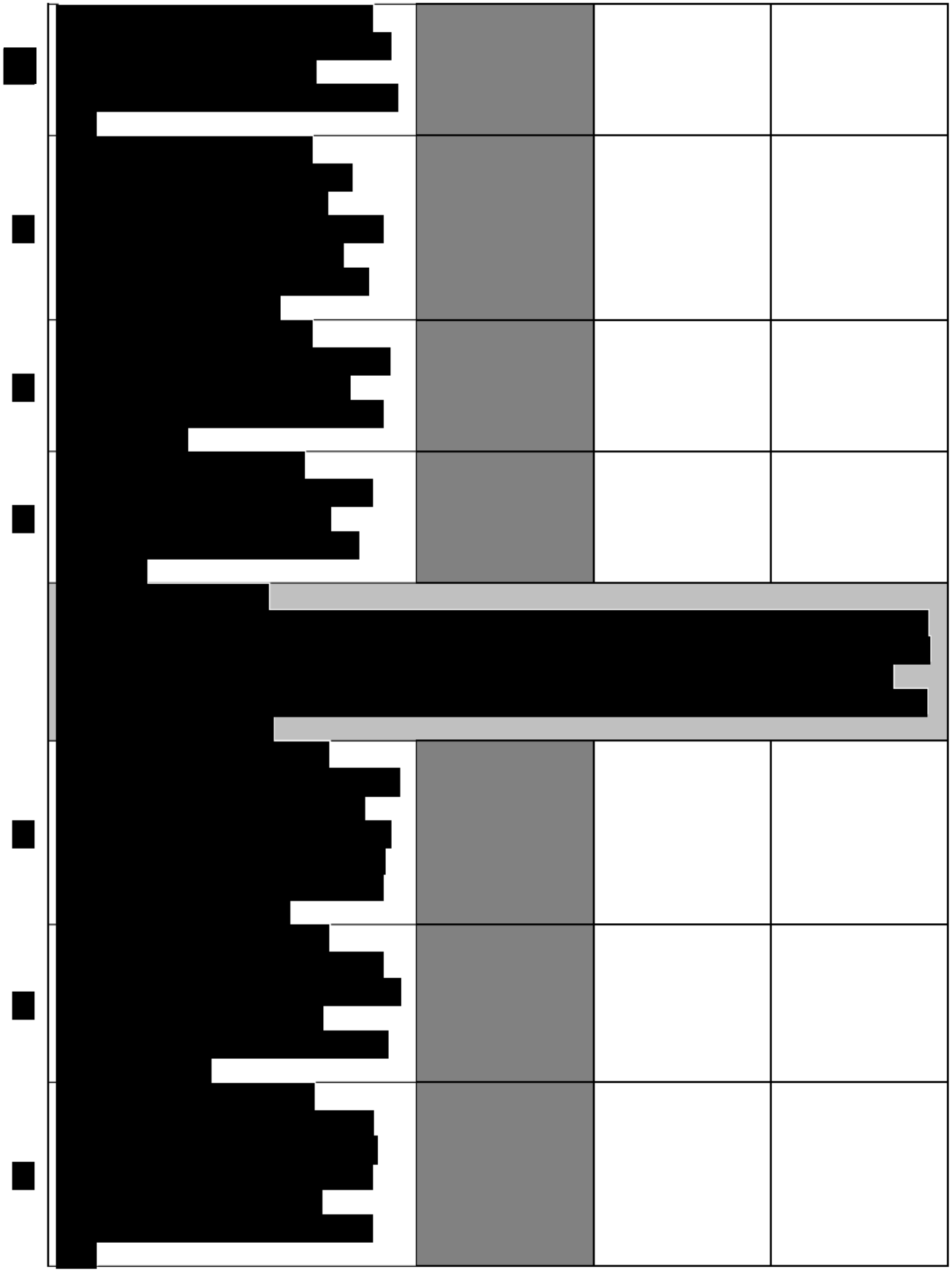
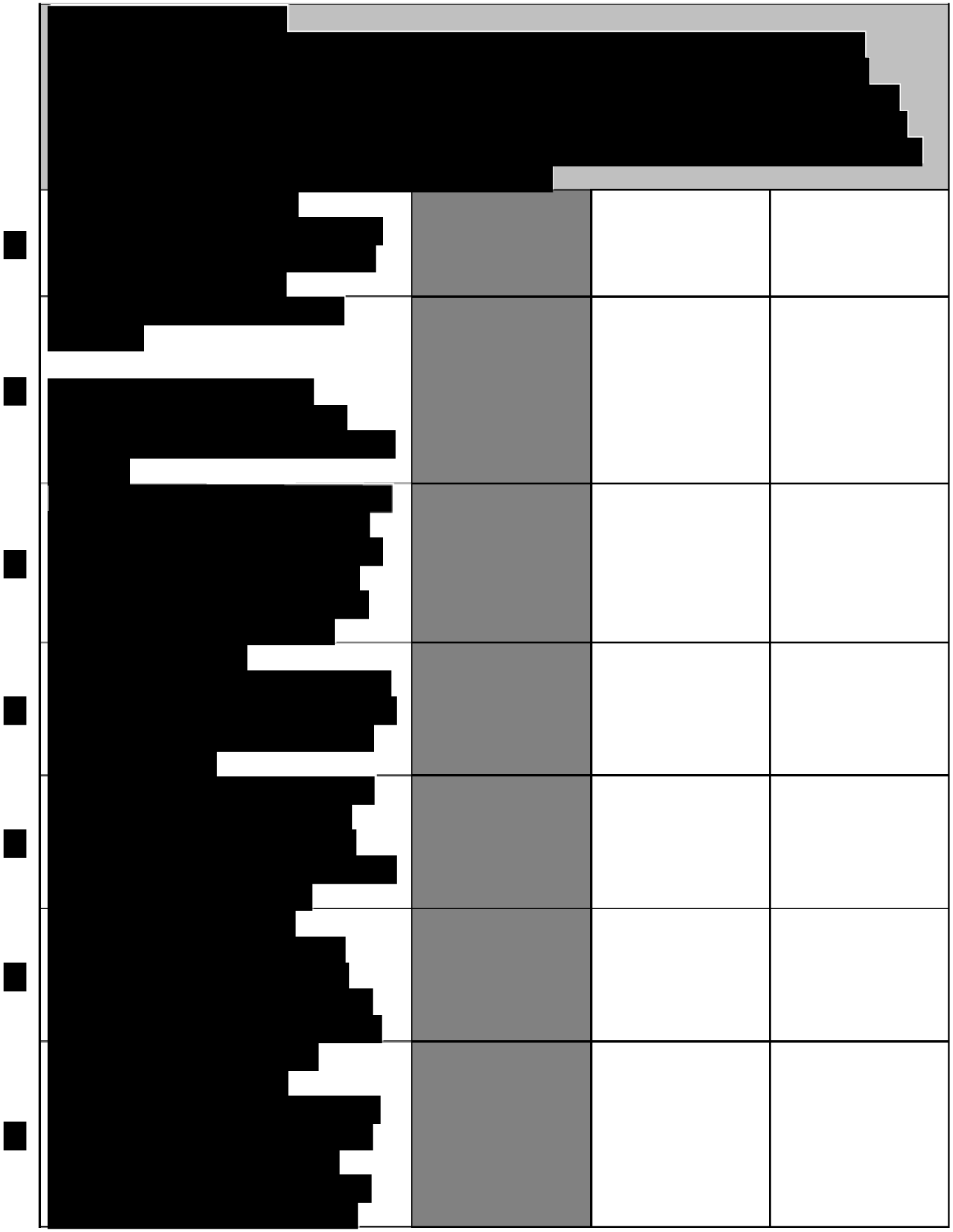
Derivatives Authority
Qualitatitive Review Checklist

Derivatives Authority
Qualitatitive Review Checklist



Derivatives Authority
Qualitatitive Review Checklist



Derivatives Authority
Qualitatitive Review Checklist

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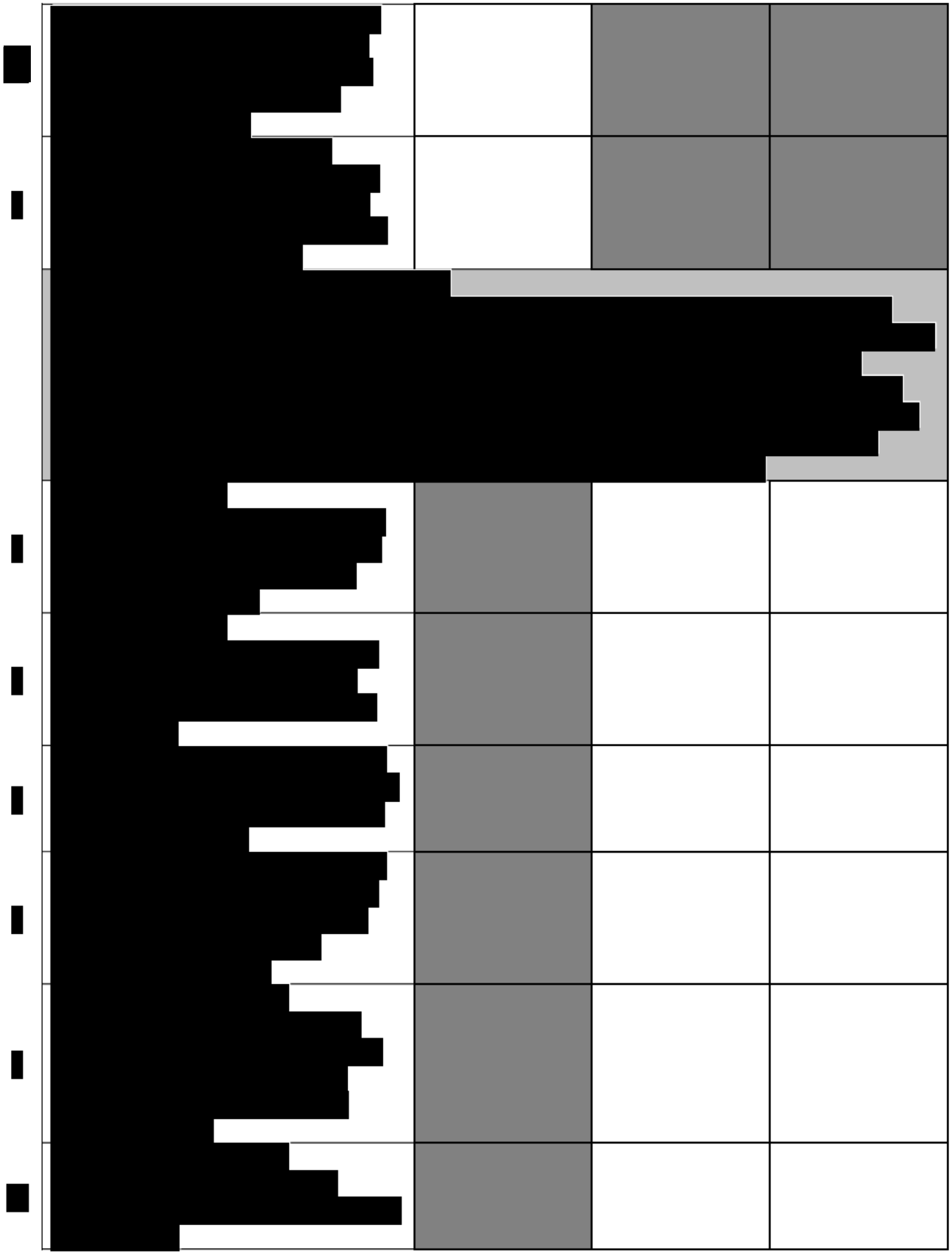
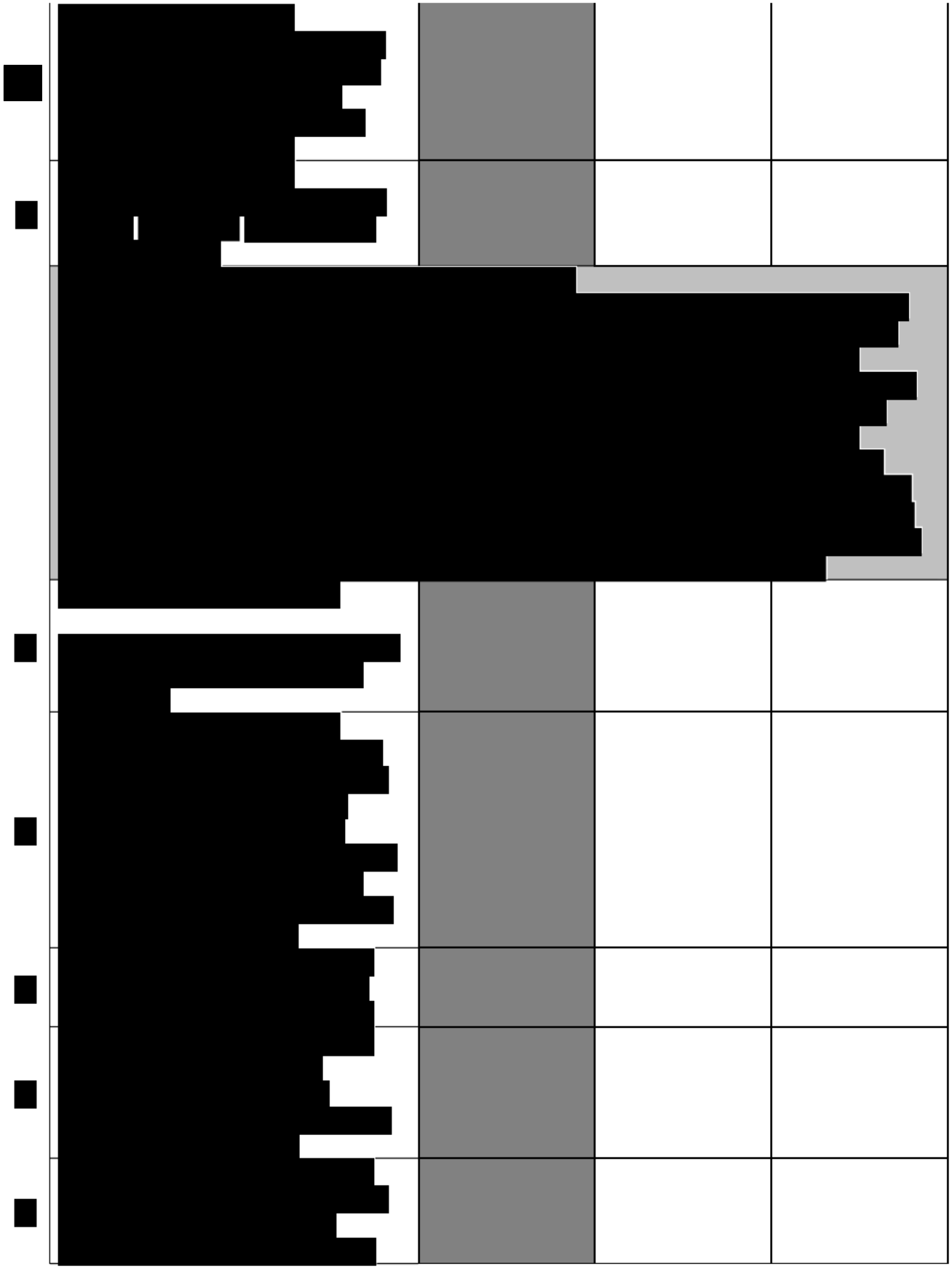
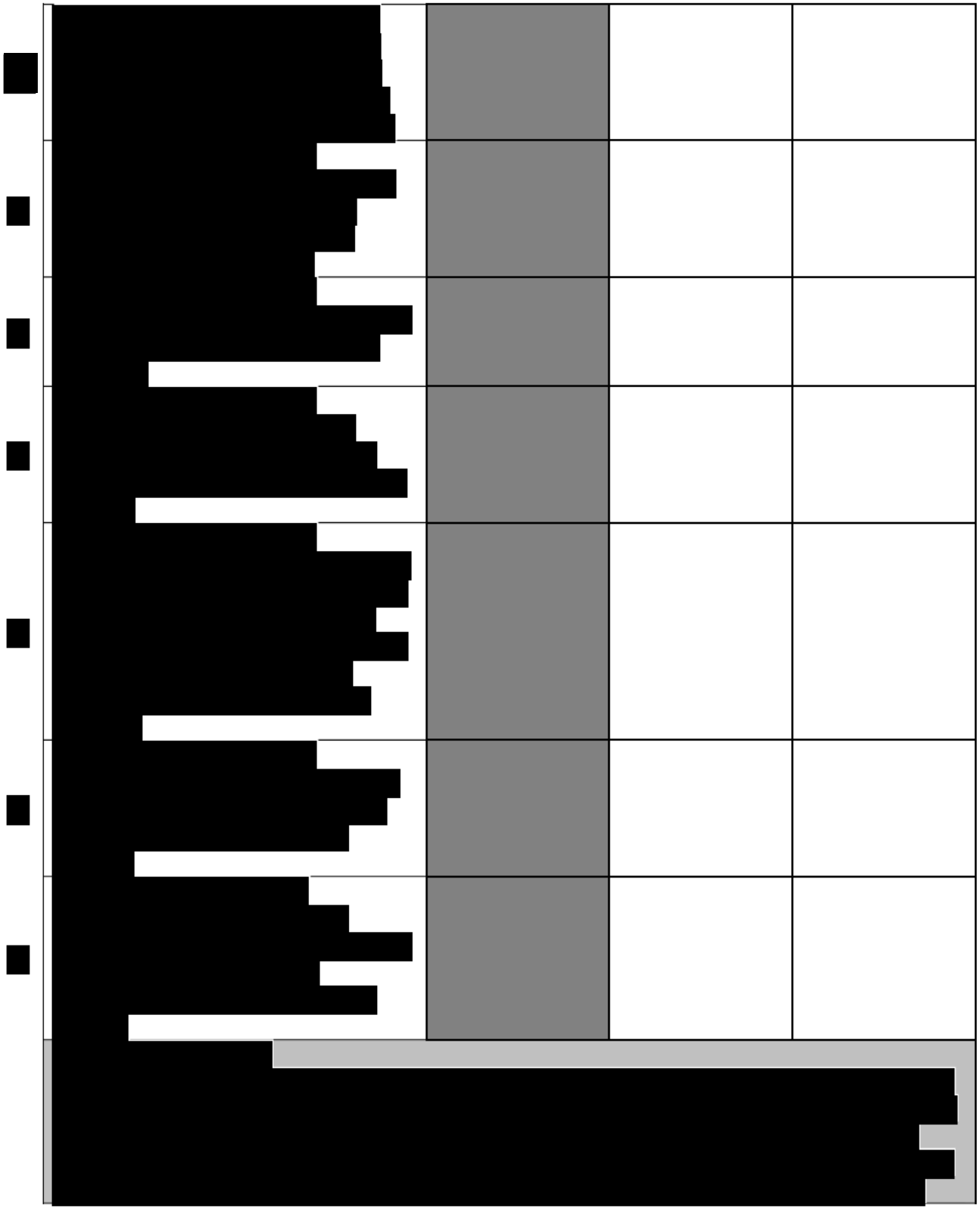
Derivatives Authority
Qualitatitive Review Checklist



Derivatives Authority
Qualitatitive Review Checklist



Derivatives Authority
Qualitatitive Review Checklist



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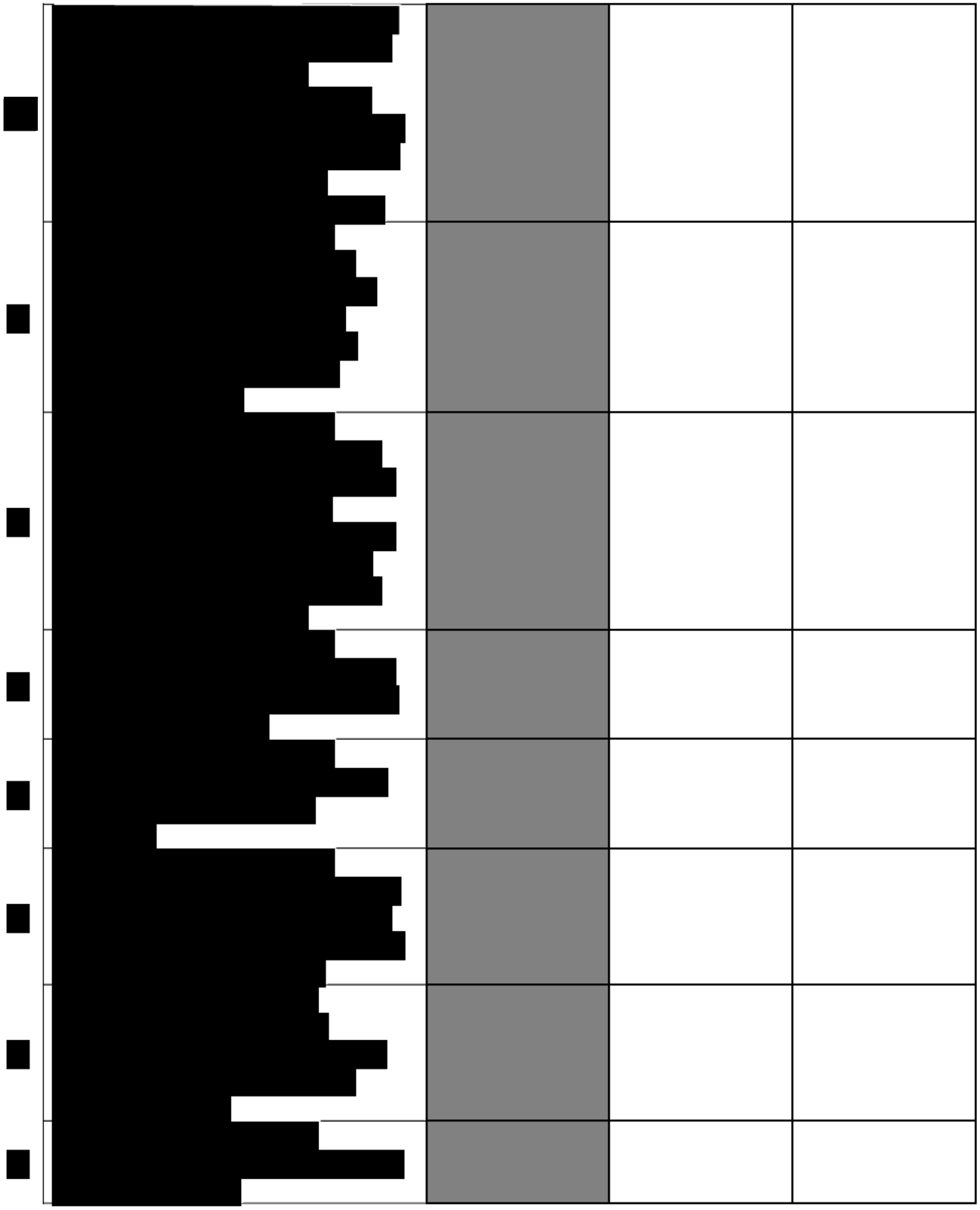
Qualitatitive Review Checklist



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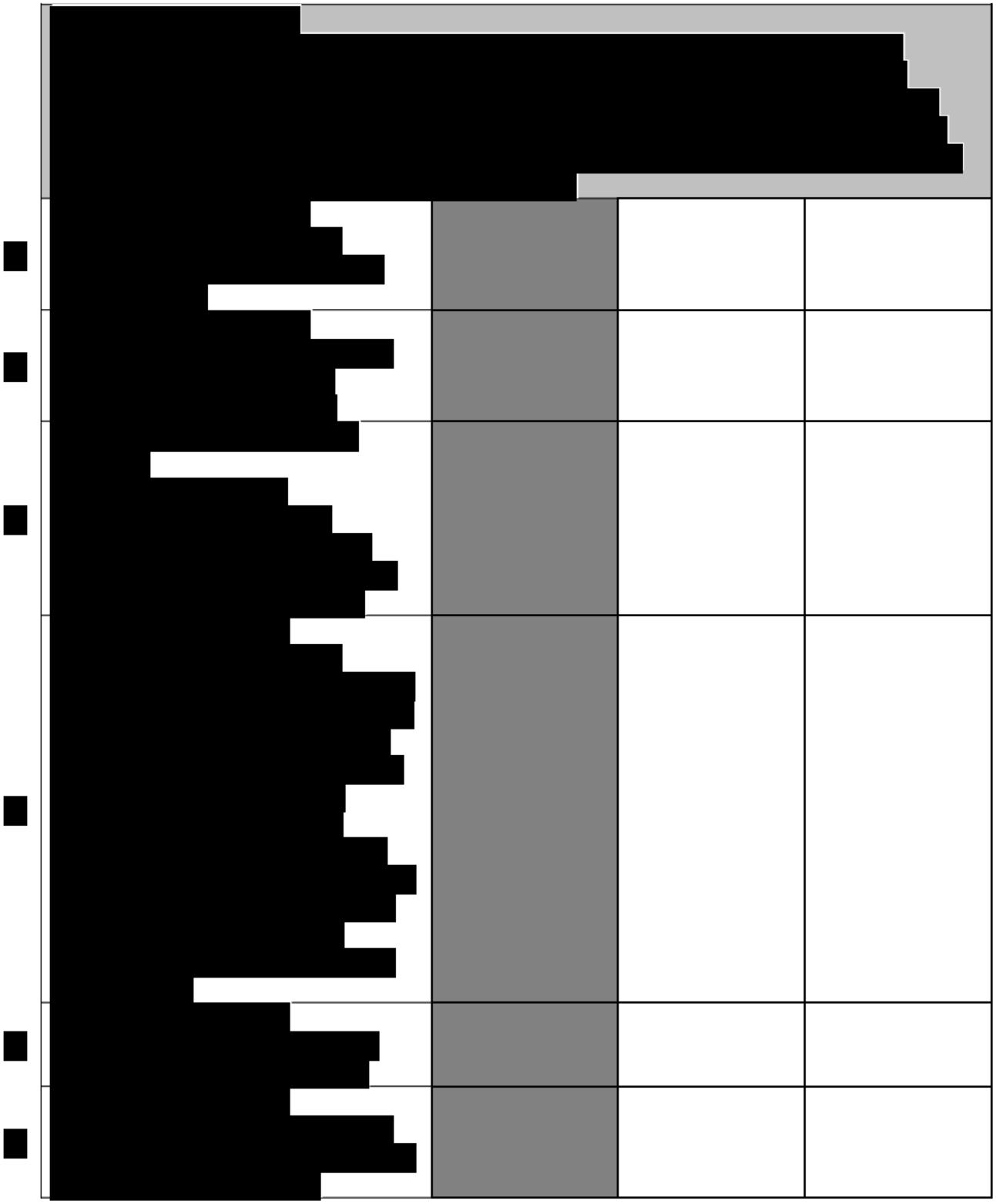
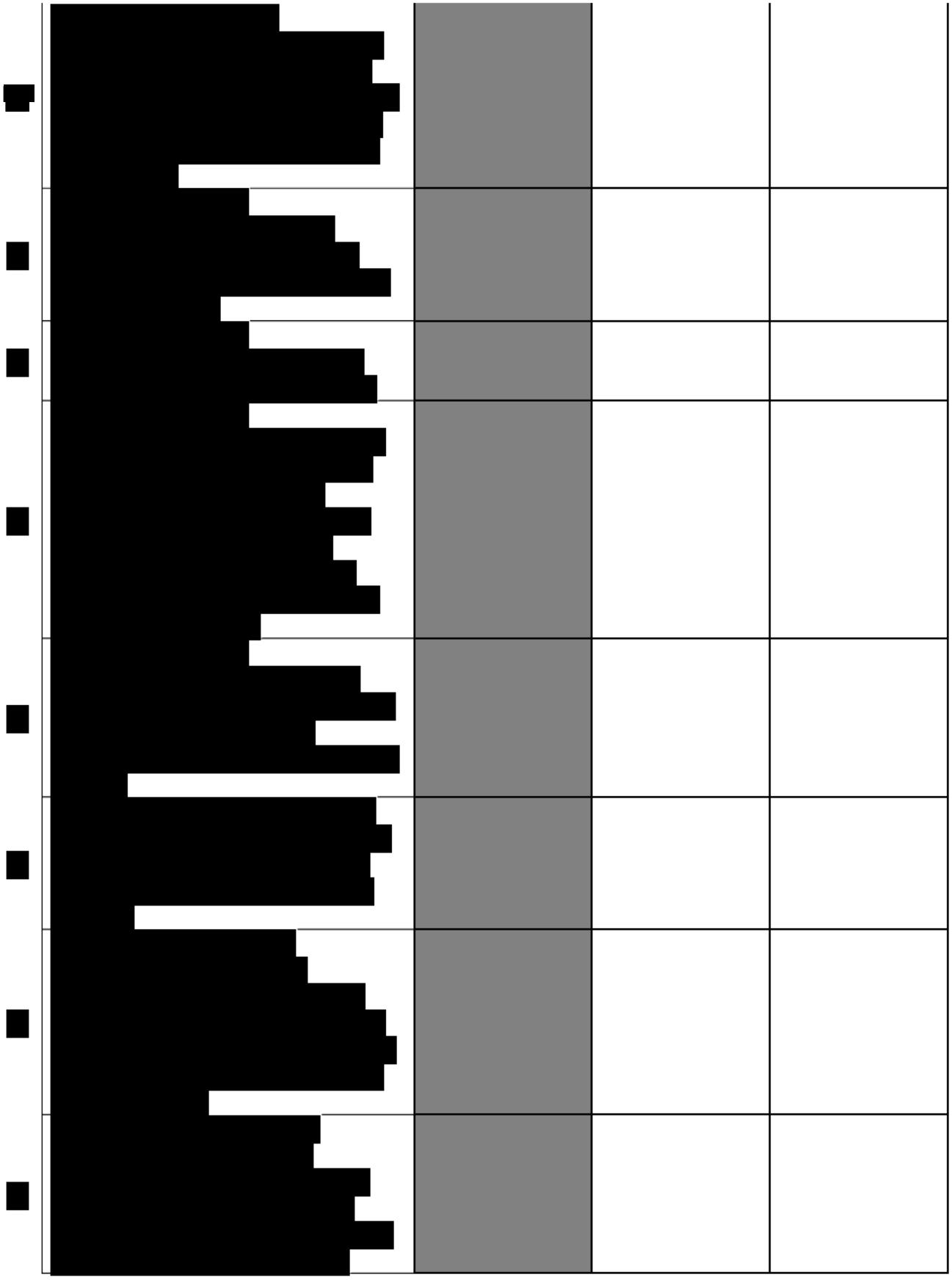
Qualitatitive Review Checklist



Derivatives Authority
Qualitatitive Review Checklist



Derivatives Authority
Qualitatitive Review Checklist

Template: Respond to Incomplete Application for Derivatives Authority

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Template: Acknowledge Interim Application for Derivatives Authority

Template: Approve Derivatives Authority (Interim)

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Template: Acknowledge Notification of Readiness (Final Application for Derivatives Authority)

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Template: Approve Derivatives Authority (Final)

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Template: Deny Application for Derivatives Authority

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Assigned RCMS

NCUA Notification of FISCU Derivatives Activity

FISCU use only

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)	
Interest rate swaps	☐
Basis swaps	☐
Interest rate caps	☐
Interest rate floors	☐
U.S. Treasury note futures	☐
Amortizing notional	☐
Forward start swaps	☐
Other (List)_____	☐

NCUA USE ONLY			
Date notification received		REGION	
Notification received by *(name)*			
Derivative program use	☐ New activity	☐ Existing activity	

Template: Acknowledge Appeal of Derivatives Authority

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Template: Deny Appeal for Derivatives Authority

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Chapter 9. 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 National Credit Union Share Insurance Fund (share insurance fund).

NSPM content last updated July 29, 2015.

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

NSPM content last updated July 29, 2015.

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 *Examiner's Guide*, and other national issuances including CAMEL and risk ratings. E&I will also monitor the national status and trends of supervision efforts. E&I will use this information to evaluate risk mitigation and control, identify weaknesses in the supervision processes, and develop and deploy (with regional input) revised supervision policies and procedures.

NSPM content last updated January 27, 2016.

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 representing 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]

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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 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 Credit Union Pipeline Reports (see NCUA Instruction 4001), and other methods as they become available.

NSPM content last updated July 29, 2015.

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 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 representing 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 (e.g., High Risk Credit Union Pipeline Reports, critical cases, etc.).

NSPM content last updated July 29, 2015.

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 Examiner Work Center Manual.

Examiners will utilize all tools available to identify current and emerging risks in credit unions. These tools 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 (FPRs)
- 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 60-day follow up for significant recordkeeping concerns

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NSPM content last updated July 29, 2015.

2. NSPMBudgeting and Scheduling Examination Work

Budgeting and scheduling of examination work is critical to effectively manage resources and ensure timely examinations/supervision contacts. Appropriate scheduling ensures resource allocation can be directed to the credit unions of regional and national significance as needs arise and helps to ensure the NCUA achieves its mission.

NSPM content last updated July 29, 2015.

A. Budgeting Process

1. Examiner

The budgeting process begins with examiners. Examiners are responsible and accountable for using historical knowledge of the credit union, Management Automated Resource System (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 a corporate credit union, examiners will

use the most recent Agreed Upon Supervision Plan (AUSP) 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 (E&I provides instructions for this process annually).

Additionally, examiners will 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 (e.g., 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.

2. Supervisor

Supervisors are responsible and accountable 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 risk areas
- Managing resources to effectively examine large, complex, and problematic institutions
- 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 associate regional director of programs (ARDP) direction
- Reporting the group program status, variances, and shortfalls to the ARDP monthly, adjust budgets, or request assistance when group resources are not sufficient to complete the examination program or as conditions warrant

3. Regional Director / ARDP

ARDPs are responsible and accountable for managing the regional resources budget and keeping the Regional Directors informed of the status of regional examination/supervision programs. ARDPs will reallocate regional resources

and coordinate with associate regional director of operations (ARDO)/ARDPs/Regional Director to secure assistance when group resources are not sufficient. ARDPs will ensure all workload budgets are reconciled by the 15th of each month. Regional Directors will provide quarterly reports to E&I noting the region's examination program, workload budget, and the status of any shortfalls and/or the identification of any assistance needed.

4. E&I

E&I is responsible and accountable for monitoring the successful completion of the national examination and supervision program. E&I will:

- Periodically and routinely request reports from the regions, allowing sufficient time for regional responses
- Review the status of regional and national program completion and emerging needs
- Assist with resource needs where necessary
- Establish national priorities when conditions warrant ensuring completion of national program goals
- Identify national trends and resource priorities by monitoring appropriate MARS reports and specialized reports, as well as evaluating quarterly regional workload reports

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NSPM content last updated July 29, 2015.

B. Scheduling Examinations and Supervision Contacts

The timing of examinations/supervision contacts is important from both a risk management and resource management perspective. Examinations will be scheduled in accordance with NCUA's Examination Scheduling Program.

NSPM content last updated July 29, 2015.

C. NCUA Examination Scheduling Program

NCUA's examination scheduling program incorporates an extended examination cycle for eligible credit unions. The examination cycle does not limit NCUA's authority to examine any federally insured credit union as frequently as the agency deems necessary. 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. 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.

5. Federal Credit Unions

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

- 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 documents of resolution 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

Small credit unions with limited segregation of duties that are otherwise eligible for an extended exam cycle may receive more frequent examinations on a random sample basis.

The CAMEL criteria is based on the CAMEL rating in effect at budget time. The criteria for asset size is based on the March 31st Call Report in the preceding calendar year.

6. Federally Insured, State-Chartered Credit Unions

Federally insured, state-chartered credit unions meeting any one of the following criteria will receive NCUA exams that will begin between 8 and 12 months from the prior 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 federally insured, state-chartered credit unions 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.

NCUA will make every effort to conduct examinations of federally insured, state-chartered credit unions jointly with the appropriate state supervisory authority, as long as the time between examinations does not exceed NCUA's needs as insurer. NCUA will only conduct an independent insurance review when a joint examination cannot be coordinated with the state supervisory authority.

7. Corporate Credit Unions

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

NSPM content last updated December 30, 2016.

1. Examiners

Topic	**Responsibilities**
Scheduling	NCUA will schedule examinations based on the criteria established in the NCUA Examination Scheduling Program section of the NSPM, or more frequently when warranted.
Budgeting	Examiners will determine their plans for examining and supervising federally insured credit unions scheduled for an examination in each calendar year. During the annual resource budgeting process (or more frequently, based on Call Report and other information), examiners will re-evaluate and affirm their plans for each credit union for the following year. The inform-

	ation will be submitted to the assigned supervisory examiner for inclusion in the resource budget.
Monitoring	Examiners will monitor and supervise federally insured credit unions consistent with their size, complexity, condition and timing of the next examination.
Changes	Examiners may change their exam and supervision plans at any time if circumstances warrant. Changes will be made through the assigned supervisory examiner.

2. Supervisors

Topic	**Responsibilities**
Oversight	Supervisory examiners 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.
Budgeting	Supervisory examiners will develop the annual resource budget for their assigned credit unions using the information provided by examiners. The process will include an analysis of the level of supervision, timing of examinations, balancing of the year-to-year workload, and coordination with the state supervisors for FISCUs (to the extent possible).
Reporting	Supervisory examiners will record and report the scheduling information for their assigned credit unions during the budget process and as changes are made during the year.
Exceptions	Supervisory examiners will evaluate variances in completion timeframes (examining a credit union more frequently than required by the criteria established in the NCUA Examination Scheduling Program section of the NSPM) on a case by case basis.

3. ARDPs

Topic	Responsibilities
Oversight	ARDPs will evaluate the information submitted by the supervisory examiners for reasonableness and ensure it accurately reflects the region's examination scheduling needs and risk profile.
Exceptions	ARDPs will monitor the activities performed by supervisory examiners. They are responsible for monitoring examination timeframe exceptions, and reporting of their region's examination scheduling program. ARDPs must approve, in writing, any extension of the examination timeframes required by the criteria established in the NCUA Examination Scheduling Program section of the NSPM on a case by case basis.

4. 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.

5. E&I

E&I will oversee the program for consistency and quality. Oversight will include monitoring of examination completion averages, analysis of examinations completed outside of the minimum and maximum parameters, and review of scheduling information submitted by the region.

NSPM content last updated December 30, 2016.

3. Administrative Record

Examiners will ensure the administrative record documents their concerns about the credit union. Examiners must compile the administrative record through AIRES examination/supervision contact reports or other written communications to the officials. The administrative record is the total collection of information needed for decision-making purposes. The administrative record must present a complete, factual, and fully documented history of the credit union's problems. The administrative record should also clearly document the

efforts taken (or not taken) by both the credit union officials and NCUA to resolve those problems.

NSPM content last updated July 29, 2015.

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6. Notice of Troubled Condition

Section 701.14 of NCUA rules and regulations defines a credit union in "troubled condition" as:

- An FCU that has been assigned a 4 or 5 CAMEL composite rating by NCUA
- A FISCU that has been assigned a 4 or 5 CAMEL composite rating by either NCUA, after an on-site contact, or its state supervisor
- An FCU or FISCU that has been granted assistance under §208 of the Federal Credit Union Act, that remains outstanding and unextinguished

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NSPM content last updated July 29, 2015.

A. Federal Credit Unions

Examiners must notify an FCU 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 NCUA rules and 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 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 NCUA rules and 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 NCUA approval for changes of officials and senior executive officers."

NSPM content last updated July 29, 2015.

B. Federally Insured, State-Chartered Credit Unions

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 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 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 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 NCUA rules and regulations. You must obtain approval from your state supervisor and 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 NCUA's website. The procedures remain in effect until the credit union is upgraded to a CAMEL 3 or better."

- A FISCU which 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 NCUA does not participate on the examination and the state's CAMEL rating is a 4 or 5 (regardless of NCUA's CAMEL rating on the WCC 26 review); or if 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 NCUA did not participate and concludes a FISCUs CAMEL rating is a 4 or 5 during the WCC 26 review (and the state rating is a 3 or better), an onsite contact is required to be completed within 60 days. In such instances, the FISCU will be notified of their 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 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 NCUA; this status can only be removed when both the state supervisor and 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 NCUA rules and 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 your state supervisor's and NCUA's approval for 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 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 their "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 their 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.

NSPM content last updated September 12, 2016.

7. 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 (Work Classification Code (WCC) 20 or 21) should generally fall within the guidelines specified in the applicable Resource Budget Program:

- When NCUA processes the Call Report: Two hours per cycle for each FICU and one additional hour for each manual FICU
- When NCUA does not process the Call Report: One hour per cycle per FICU

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 Risk Review process. Supervisors should approve additional time if the credit union profile warrants additional supervision hours.

NSPM content last updated July 29, 2015.

A. Division of Supervision Responsibilities

- Send out quarterly regional Call Report Risk Review deadline reminders consistent with the national due date

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NSPM content last updated July 29, 2015.

B. Supervisor Responsibilities

- Review RATE reports submitted by examiners as follows:
  - 100% of assigned credit unions for June and December cycles
  - Random sample of assigned credit unions for March and September cycles
    - Regional Directors will ensure the random sample size is meaningful, and will determine specific sampling criteria.
- Notify the ARDP of any specific credit unions where supervision plans materially changed as a result of the RATE reviews, necessitating material budget increases for supervision

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NSPM content last updated July 29, 2015.

C. 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 which fulfills the requirements of Part 715 or Part 741 of NCUA's rules and 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)
- Download the 5300/FPR Trending System for each examiner's assigned district from Share Point
- Complete the 5300/FPR Trending Dashboard. This process should include an analysis of:
  - FPR
  - Risk reports
  - 5300 Call Report
- Include comments about significant changes in risk and/or changes in supervision plans in the appropriate comment box
- Submit your review to your 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,[1] examiners will have approximately 75 days from the cycle date to complete their review.

Cycle Date	Approximate RATE Due Date*
March 31	June 15
June 30	September 15
September 30	December 1
December 31	March 15

* E&I will post the actual due date in the application or notify staff by email.

NSPM content last updated January 13, 2017.

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

8. Administrative Items

- AIRES: Deleting Files
- AIRES File Size Limitation
- 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
- Electronic Copies of Reports
- Exam/Supervision Completion Date and AIRES Upload Requirements
- Limiting Exams in Process
- Notifying a Credit Union of a Contact
- Team Member Responsibilities
- Timeframe to Complete an Examination/Supervision Contact

NSPM content last updated July 29, 2015.

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.

NSPM content last updated January 27, 2016.

B. AIRES File Size Limitation

NCUA limits the size of attachments in Microsoft Outlook to 30MB for internal email. (SSA examiners who do not use an NCUA.gov mailbox are limited to 15MB.)

If an examiner cannot upload an AIRES file due to the size limitation, he should contact the OCIO help desk as early as possible. In these rare cases, 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.

NSPM content last updated July 29, 2015.

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
- Time
- Completed information tab

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

NSPM content last updated July 29, 2015.

D. Required AIRES Workpapers

Appendix 20A of the *Examiner's Guide* 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.

1. AIRES Table of Contents

The table of contents serves as 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.

2. Required Questionnaires

Include 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.

3. 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 (e.g., 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.

NSPM content last updated July 29, 2015.

E. Delivering a Report to Credit Union Officials

When possible, examiners should deliver the final examination report or insurance review report at the joint conference or exit meeting. For compressed scheduling situations, examiners must deliver the DOR and Examiner's

Findings, if applicable, during the joint conference or exit meeting. Management and key officials should be aware of the major deficiencies before the joint conference. (See the Joint Conferences and Exit Meetings section of the NSPM for more information.)

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

NSPM content last updated July 29, 2015.

F. 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 (DSCR) 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 (code 22 or 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 Letter of Understanding and Agreement (LUA), Preliminary Warning Letter (PWL), Cease and Desist Order (C&D), or Other Discretionary Supervisory Action provided under Prompt Corrective Action (PCA)
- All FISCUs with a proposed or outstanding administrative action (equivalent to an LUA, PWL, C&D, 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 of AIRES.

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. Examiners will document completion of the DSCR in the Confidential Section of AIRES. Examples of sufficient documentation are:

- E-mail from the supervisor
- Optional DSCR template in AIRES

- Supervisor creates form to document the review

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

NSPM content last updated September 12, 2016.

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.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

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 the credit union's preference. Provide electronic copies in PDF format to prevent easy manipulation of documents.

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

NSPM content last updated July 29, 2015.

J. 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.'

The five business days to complete and one business day to upload the examination/supervision contact are included in the 60-day examination timeframe requirement. The 60-day close-eout requirement can only be extended through a waiver.

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

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

NSPM content last updated July 29, 2015.

K. 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.

NSPM content last updated July 29, 2015.

L. Notifying a Credit Union of an Examination/Supervision Contact

When 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.

NSPM content last updated December 30, 2016.

M. 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 Examiner 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

NSPM content last updated December 30, 2016.

N. 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/supervision contacts within 60 calendar days of the start of the examination/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/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.

NSPM content last updated July 29, 2015.

9. Confidential Section

The Confidential Section of the examination report is for 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.

This section is also the appropriate place to discuss management's ability and willingness to correct areas of concern, as well as provide details of new or unique programs or services not discussed elsewhere in the report or in the AIRES Scope module.

Examiners will address the following in the Confidential Section:

- Number and type of attendees of the joint conference and/or exit meeting (e.g., 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
- Reasons management failed to take corrective action for any previous and outstanding DOR items or agreements relating to safety and soundness and/or plans for escalation of administrative action
- Explanation of any CAMEL rating differences or other differences during joint insurance reviews and joint examinations of federally insured state-chartered credit unions (FISCUs)
- Any approvals or concurrences from their supervisor or ARDP concerning conditions or actions taken during the examination (i.e., 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 (e.g., management's and officials' ability to resolve issues, knowledge level of credit union operations, not providing an AIRES download)

- Any deviations from budgeted hours, documenting supervisor concurrence
- Any expansion beyond the SCUEP defined-scope procedures, including how and why the scope was expanded, documenting supervisor approval in the *Miscellaneous Exam Considerations* section (if applicable)
- Reason why report not completed or uploaded within required timeframes (if applicable)
- Completion of a documented secondary CAMEL review
- Reasons a joint FISCU exam was not possible, including efforts made to coordinate the joint examination with the SSA, when applicable.
    - When a joint exam is conducted, the EIC will note the extent of SSA participation in the Confidential Section.

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

NSPM content last updated January 27, 2016.

10. 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.

If a joint conference is not held, the examiner will hold an exit meeting. An exit meeting differs from a joint conference in that an exit meeting does not require a quorum of the board attend. Attendance at an exit meeting generally consists of top management, key staff, and possibly one or more officials. The examiner will provide adequate information to allow the 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.

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.

NSPM content last updated December 30, 2016.

11. 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, NCUA's secure e-mail program, when discussing confidential matters with credit unions through email. Instructions for using ZixMail are available in NCUA's *Hi Tech Manual* under Outlook 2010.

Examiners may not share information obtained from a credit union with another credit union (e.g., 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 (e.g., 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

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NSPM content last updated July 29, 2015.

C. Writing Guidelines

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 NCUA's website. The plain writing guidelines used by NCUA can be found at Plain Language.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)

NSPM content last updated July 29, 2015.

12. 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.

NSPM content last updated July 29, 2015.

13. 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 Letter of Understanding and Agreement (LUA) or Special Insuring Agreement (SIA) 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 NCUA rules and regulations
- Assess the need for assistance, including enrollment in the National Small Credit Union Program (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.

NSPM content last updated July 29, 2015.

14. Critical Case Credit Unions

The term "critical cases" is used to define credit unions which pose the most significant emerging risk to the share insurance fund. 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 provides examiners with insight into the purpose, selection criteria, and processes involved in critical case credit union briefings as well as providing structure on what to expect if critical case credit unions are identified within their district.

NSPM content last updated July 29, 2015.

A. Developing a Critical Case List

Periodically, regions will develop a listing of their top critical cases. Regional management will select critical cases based on the following:

- 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 Credit Union Pipeline Reports
- Reports provided by E&I flagging select cases
- 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.

[redacted]

[redacted]

NSPM content last updated July 29, 2015.

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 examiner(s) 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 examiners a minimum of ten business days in advance of the meeting. The examiner's supervisor will review the package(s) prior to submission to the regional office for quality and completeness as well as adherence to established standards.

NSPM content last updated July 29, 2015.

15. 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.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

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 Credit Union Pipeline Reports
- Quarterly PCA Reports
- Quality Control Reviews (QCR)
- Status and Exception Reports

NSPM content last updated July 29, 2015.

16. Develop and Issue Guidance

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, 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 (i.e., 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.

NSPM content last updated January 27, 2016.

17. Templates

- Supervision Chronology Report
- Team Memo

NSPM content last updated July 29, 2015.

Template: Supervision Chronology Report

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Template: Team Memo

NATIONAL CREDIT UNION ADMINISTRATION
REGION X

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*******

Chapter 10. 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 NCUA to establish an independent appellate process to review material supervisory determinations. In 2011, the NCUA Board adopted Interpretive Ruling and Policy Statement (IRPS) 11-1, *Supervisory Review Committee*. This IRPS was amended by IRPS 12-1, which allows credit union officials to appeal material supervisory determinations to a supervisory review committee (committee) composed of three NCUA senior staff. Any decision, whether at the Regional Director level or at the committee level, is appealable to the NCUA Board.

Examination material supervisory determinations are 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, the examination complaint must be filed by the credit union within 30 days of the examiner's final determination. A complaint regarding a FISCU examination may be made to the NCUA if the final determination was made by the NCUA examiner. If the final determination was made by the state examiner, the complaint will be turned over to the state for the appropriate action.

NSPM content last updated July 29, 2015.

1. 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

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NSPM content last updated July 29, 2015.

2. 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 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 Examiner-In-Charge, if warranted.

- Review the completed field Regional Summary and analyze the recommendations for appropriate support and justification. Upon concurrence, DOS will submit the recommendation and proposed response (use the Respond to Examination Complaint sample) to the Regional Director for approval and signature. DOS will mail the signed letter using the region's preferred expedited mail delivery service with a copy to the SE and Examiner.
- DOS will post copies of the original complaint, acknowledgement letter, response letter and completed Regional Summary to the central office via E&I SharePoint Post Office.

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.

NSPM content last updated January 27, 2016.

3. Templates

- Acknowledge Examination Complaint
- Regional Summary of Exam Appeal and Complaint
- Respond to Examination Complaint (sample)

NSPM content last updated July 29, 2015.

Template: Acknowledge Examination Complaint

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Template: Regional Summary (Exam Appeals and Complaints)

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Other Pertinent Information

REVIEWER RECOMMENDATIONS AND COMMENTS:

Reviewer Recommendation:

APPROVAL/DENIAL RECOMMENDATIONS

Analyst Comments:

APPROVE ☐ **DISAPPROVE** ☐

Supervision Analyst _____ Date_____

APPROVE ☐ **DISAPPROVE** ☐

Director of Supervision _____ Date_____

APPROVE ☐ **DISAPPROVE** ☐

Associate Regional Director _____ Date_____

APPROVE ☐ **DISAPPROVE** ☐

Sample: Respond to Examination Complaint

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Chapter 11. Federal Credit Union Program and Procedures

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 (e.g., 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 federally insured, state-chartered credit unions for a high-level overview.

NSPM content last updated July 29, 2015.

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 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.

NSPM content last updated December 30, 2016.

A. Pre-Exam Planning Hours

Examiners 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. Examiners will document their pre-planning activities with the Pre-Exam Planning Procedures Checklist and upload it with the examination.

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 Procedures Checklist template is located in the AIRES Exam Directory under Available Template Files.

NSPM content last updated December 30, 2016.

B. Pre-Exam Planning Procedures

Examiners 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 Procedures Checklist outlines specific procedures.

Examiners will comply with the latest version of NCUA Instruction 13500.09, Security of Sensitive Information.

NSPM content last updated December 30, 2016.

C. 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. Examiners will focus on current and emerging risk indicators and evaluate preliminary risks.

Examiners do not complete a preliminary risk assessment for defined-scope examinations. For these exams, an examiner will check the SCUEP box in the Preliminary Risk Assessment tab, which will gray out the input fields on the tab.

NSPM content last updated December 30, 2016.

D. 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*.

1. Examiner

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. The Scope module should be a comprehensive synopsis of what occurred during the examination. 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. 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.

2. Examiner-in-Charge

Examiners 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.

3. 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.

NSPM content last updated December 30, 2016.

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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 on the "extract" button on the Completion Information tab within AIRES.

NSPM content last updated January 27, 2016.

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 document, 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.

NSPM content 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.

NSPM content 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 Exam Management Console (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)

1. 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:

Credit Union Description	Maximum Extension	Guidelines
CAMEL 3 > $50 million	Completion timeframe may not exceed 240 days based on supervisor approval	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.
CAMEL 4 or 5 > $50 million		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.

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 timeframe extension approvals will include a projected completion date.

2. 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.

Credit Union Description	Follow-Up Exam or Supervision Contact Requirements	Guidelines
CAMEL 3 FCUs with less than $50 million in assets	Onsite supervision between examinations is at the discretion of the region	If BSA or recordkeeping issues are present, the timeframes for those targeted review contacts will be followed.
CAMEL 4 or 5 FCUs with less than $50 million in assets	Must be completed within 210 days of the examination	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.

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.

3. 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 (e.g., 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 (e.g., DOR, Examiner's Findings, and other appropriate work papers such as the Supplementary Facts).

NSPM content last updated July 29, 2015.

B. Onsite Supervision Contacts (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.

NSPM content last updated January 23, 2017.

1. Onsite Supervision 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 (e.g., 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 (e.g., 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.

NSPM content last updated July 29, 2015.

C. Offsite Supervision Contacts (WCC 27)

Offsite supervision is conducted somewhere other than at the credit union. At times, examiners will perform offsite supervision to follow up on outstanding concerns, review the credit union's response to a DOR, review monthly financial and/or board packages, respond to regional or national requests regarding credit unions in their district, or otherwise supervise, counsel, or interact with the credit union remotely (e.g., phone, email). Examiners will not change a credit union's composite CAMEL rating during a WCC 27 contact.

NSPM content last updated July 29, 2015.

1. Offsite Supervision Contact Documentation for Offsite Contacts Eight Hours or Longer

A minimal AIRES upload or a "minimal contact" is required for all WCC 27 offsite contacts of 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, the AIRES upload must include a completed EMC with documentation of the contact scope, progress, conclusions, recommendations, etc. in either the "Examiner Comments" section on the Completion Information tab of the EMC or, if more room is needed, in the Executive Summary or Supplementary Facts.

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.

Minimal uploads don't include MS Word and Excel files. To include these types of files, you may need to bypass the "minimal upload."

2. Offsite Supervision Contact 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. If the aggregate time charged in a quarter is less than eight hours, an AIRES upload is not required.

[redacted]

NSPM content last updated July 29, 2015.

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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NSPM content last updated January 27, 2016.

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.

NSPM content last updated July 29, 2015.

5. OCFPA/Regional Office Fair Lending Examinations and Supervision Contact Coordination

The Office of Consumer Financial Protection and Access (OCFPA) has supervisory authority to conduct on-site fair lending examinations and off-site fair lending supervision contacts in federal credit unions.

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 Consumer Financial Protection Bureau), 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]

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

NCUA also assesses compliance with the Fair Housing Act and reports violations to HUD or DOJ.[1] NCUA conducts fair lending examinations at and supervision contacts with federal credit unions to assess compliance with fair lending laws using the Federal Financial Institutions Examination Council's *Interagency Fair Lending Examination Procedures* (Aug. 2009).

NSPM content last updated October 27, 2016.

A. Federal Credit Union Selection for Fair Lending Review

The Office of Consumer Financial Protection and Access 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.

1. 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. OCFPA requests recommendations from regional offices at least once each year.

Regional offices should respond to OCFPA's request with 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. OCFPA 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 Equal Credit Opportunity Act (Regulation B) or HMDA (Regulation C) violations
- Discretionary loan underwriting or pricing practices, when present with limited or no monitoring or internal controls

[1]The U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Justice (DOJ) enforce the Fair Housing Act.

- Lending distinctions tied to geography that may disproportionately impact protected groups or individuals
- Lending programs available only to specific groups, individuals, or select employee groups
- Particular incentives created by employee compensation structures that may disproportionately impact protected groups or individuals

Regional offices can submit high risk cases to OCFPA on an ad hoc basis. OCFPA will attempt to work high-risk referrals into the current year's schedule.

OCFPA normally schedules fair lending examinations independently of safety and soundness examinations. However, OCFPA will attempt to schedule concurrently if the regional office expresses a preference.

2. Regional Office Notification

Upon selecting a credit union for a fair lending examination or off-site supervision contact, OCFPA will notify the appropriate regional office and seek its input before contacting the credit union.

In notifications to regional offices, OCFPA 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 OCFPA should consider before proceeding

OCFPA will consider information provided by regional offices before making a final determination on fair lending examinations, supervision contacts, and dates. OCFPA will courtesy copy the appropriate regional office on credit union notification letters.

NSPM content last updated October 27, 2016.

B. Fair Lending Examination and Supervision Contact Follow Up

When the Office of Consumer Financial Protection and Access identifies deficiencies in a fair lending examination or supervision contact, OCFPA will provide recommendations for corrective action. OCFPA 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.

NSPM content last updated October 27, 2016.

C. Field Support of OCFPA Examinations and Supervision Contacts

The Office of Consumer Financial Protection and Access will request volunteers to assist with fair lending examinations and supervision contacts as needed. Each year, OCFPA may recruit volunteers to assist with examinations and supervision contacts annually through a request for volunteers sent to all NCUA made in consultation with the Office of Human Resources.

NSPM content last updated October 27, 2016.

Chapter 12. Federally Insured, State-Chartered Credit Union Program and Procedures

The state supervisory authority (SSA) is the primary regulator for FISCUs whereas 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. (e.g., Call Report/FPR Trending). 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 NCUA rules and regulations Part 741 when applying for federal share insurance. The Document of Cooperation (DOC) between the National Association of State Credit Union Supervisors (NASCUS) and NCUA is the overarching document laying out the principles and the relationship with SSAs and the insurance review process.

Each region maintains an operating agreement with each individual state. The 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 NCUA's Office of General Counsel 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 federally insured, state-chartered credit unions for a high-level overview.

NSPM content last updated July 29, 2015.

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 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.

NSPM content last updated December 30, 2016.

A. Pre-Exam Planning Hours

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 Procedures Checklist 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 Procedures Checklist template is located in the AIRES Exam Directory under Available Template Files.

NSPM content last updated December 30, 2016.

B. Pre-Exam Planning Procedures

Examiners 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 Procedures Checklist outlines specific procedures.

Examiners will comply with the latest version of NCUA Instruction 13500.09, Security of Sensitive Information.

NSPM content last updated December 30, 2016.

C. 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. Examiners will focus on current and emerging risk indicators and evaluate preliminary risks.

NSPM content last updated December 30, 2016.

2. Communication with a State Supervisory Authority

Open communication between NCUA and the SSA 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 (e.g., 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 NCUA plans to conduct an examination/supervision contact. The supervisor will state the reason for 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.

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. 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 Regional Director or designated ARDP will meet at least annually with the SSA. The meetings will focus on the operating agreement, discussing roles, responsibilities, and expectations for NCUA and the SSA.

NSPM content last updated July 29, 2015.

3. NCUA Federally Insured, State-Chartered Program

A. Disclosing 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 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 Documented Secondary CAMEL Review, 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 Documented Secondary CAMEL Review if the Documented Secondary CAMEL Review 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.

1. 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 code 11 and 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 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, 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 code 11 and 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 NCUA has a differing CAMEL rating when the NCUA and SSA EIC cannot agree on a consistent CAMEL rating
- Prioritize performing Documented Secondary Reviews of CAMEL for FISCUs in order to allow for the expeditious disclosure of NCUA CAMEL ratings to FISCUs

Regional Office Responsibilities

The regional office is responsible for facilitating open communication with the SSAs and completing quality control over the assigned ratings.

2. CAMEL Differences during WCC Code 26 Reviews

This procedure applies to WCC 26 reviews where the NCUA examiner did not participate onsite during the examination and has not previously disclosed CAMEL to the FISCU as outlined above. As discussed in the NSPM, NCUA examiners evaluate CAMEL when performing WCC 26 reviews of state examinations. For WCC 26 reviews, the following apply:

- When the examiner performing the code 26 review assigns the same rating as the SSA composite rating, no additional action is needed; unless, the composite rating is a 4 or 5. For newly downgraded CAMEL 4 or 5 FISCUs, the NCUA examiner must verify whether the FISCU was given notice of its troubled condition as outlined in the NSPM.
- When the NCUA examiner assigns a different composite rating, but chooses to rate the credit union a composite CAMEL 1 or 2, no further action is needed.
- When the NCUA examiner's rating differs from the SSA composite rating and a composite CAMEL 3 is assigned by 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 code 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 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 code 26 contact or scheduling an onsite contact, as appropriate.

See the Reviews of SSE 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 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 code 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 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.

NSPM content last updated July 29, 2015.

B. 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.

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 NCUA will select for an onsite contact.

NSPM content last updated July 29, 2015.

C. Examination and Supervision Planning and Scoping

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 the credit union.

NSPM content last updated July 29, 2015.

D. 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.

The Scope module should be a comprehensive synopsis of what occurred during the examination or supervision contact. 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.

NSPM content last updated December 30, 2016.

E. NCUA-SSA Joint Scoping

Scoping for FISCU joint examinations and contact may vary and will consider the relationship with the SSA. Meeting(s) with the SSA examiner to establish NCUA's scope and support resources will be held prior to or at the start of fieldwork. The meeting may be a telephone contact or via 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

NCUA's role in conducting joint examinations and contacts is limited to significant risk areas and compliance with laws and regulations for which 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 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.

NSPM content last updated December 30, 2016.

4. Types of Federally Insured, State-Chartered Credit Union Examinations

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.

NSPM content last updated July 29, 2015.

A. Insurance Reviews (WCC 11)

The NCUA examiner is the EIC for all insurance reviews. As such, it is 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 NCUA rules and regulations and other regulations 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*).

1. 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

2. Joint Conferences

NCUA examiners must hold a joint conference for all CAMEL 3, 4, and 5s. 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.

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 NCUA's discretion.

NSPM content last updated July 29, 2015.

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).

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 NCUA and the SSA cannot schedule a joint examination, 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. When a joint exam was conducted, the EIC will note the extent of SSA participation.

1. Joint Examination Documentation

For joint examinations, the final examination report will usually be a joint report, which encompasses both NCUA and SSA recommendations. If necessary, NCUA may issue an independent report. NCUA will notify the SSA of plans to issue a separate report prior to issuance to the FISCU.

NCUA examiner and SSA examiner can upload a scope workbook for a WCC 11 to AIRES with the same effective date.
For joint examinations, 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 Code 26 Review as outlined in the NSPM.

NCUA examiners must upload their own WCC 11 examination report to document the work performed by 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: 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 (e.g., 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
- Reasons management failed to take corrective action for any previous and outstanding DOR items or agreements relating to safety and soundness and/or plans for escalation of administrative action
- Any approvals or concurrences from their supervisor or ARDP concerning conditions or actions taken during the examination (i.e., 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 (e.g., management's and officials' ability to resolve issues, knowledge level of credit union operations, not providing an AIRES download)
- Any deviations from budgeted hours, documenting supervisor concurrence
- Any expansion beyond the SCUEP defined-scope procedures, including how and why the scope was expanded, documenting supervisor approval in the *Miscellaneous Exam Considerations* section (if applicable)
- Reason why report not completed or uploaded within required timeframes (if applicable)

- Reasons a joint FISCU exam was not possible, including efforts made to coordinate the joint examination with the SSA, when applicable
  - When a joint exam is conducted, the EIC will note the extent of SSA participation in the Confidential Section.

2. 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.

NSPM content last updated January 27, 2016.

5. Supervision Contacts

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.

NCUA will make every effort to coordinate joint NCUA/SSA contacts but reserves the right to perform independent onsite contacts. For instance, if NCUA suspects fraud at a credit union, then an immediate onsite contact will be necessary.

NCUA may perform independent onsite contacts when necessary due to scheduling issues. 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.

NCUA considers the timing of the next SSA examination when scheduling onsite supervision. However, if a timely joint contact is not possible, 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.

NSPM content last updated July 29, 2015.

A. Follow-Up Examinations for a Troubled/Problem Federally Insured, State-Chartered Credit Union (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.

1. 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:

Credit Union Description	Follow-Up Exam Requirements
CAMEL 3 > $250 million	NCUA examiners will perform a follow-up examination in conjunction with the SSA at least every 180 days (from completion date to completion date)
CAMEL 4 or 5 > $250 million	NCUA examiners will perform a follow-up examination in conjunction with the SSA at least every 120 days (from completion date to completion date)

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.

2. 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:

Credit Union Description	Maximum Extension	Guidelines
CAMEL 3 > $250 million	Completion timeframe may not exceed 240 days based on supervisor approval	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.
CAMEL 4 or 5 > $250 million		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.

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.

3. 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 as detailed in the NSPM.

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 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 new 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 (or to the SSA to include in their report if applicable) (e.g., 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 (e.g., 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
- Reasons management failed to take corrective action for any previous and outstanding DOR items or agreements relating to safety and soundness and/or plans for escalation of administrative action
- Any approvals or concurrences from their supervisor or ARDP concerning conditions or actions taken during the examination (i.e., 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 (e.g., 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 timeframes (if applicable)
- Reasons a joint FISCU exam was not possible, including efforts made to coordinate the joint examination with the SSA, when applicable
    - When a joint exam is conducted, the EIC will note the extent of SSA participation in the Confidential Section.

- 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 (e.g., 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 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 (e.g., DOR, Examiner's Findings, and other appropriate work papers such as the Supplementary Facts).

NSPM content last updated December 30, 2016.

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. Onsite 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.

2. Onsite 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 (e.g., 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 (e.g., 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.

NSPM content last updated January 23, 2017.

C. Offsite Supervision Contacts (WCC 28)

Offsite supervision of FISCUs may be necessary in a variety of situations. Examiners conduct offsite supervision somewhere other than at 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). Offsite supervision may also be necessary to perform a more

detailed review of financial statements or progress in resolving outstanding issues from a prior examination that do not warrant onsite supervision. Additional examples of FISCU offsite supervision include reviews/monitoring of CAMEL 4/5 FISCUs, FISCUs with outstanding LUAs or NWRPs, and large CAMEL 3 FISCUs with strategic and/or financial concerns. The timing and scope of offsite supervision is at the discretion of examiners and their supervisor.

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 Requirements for Offsite Contacts Eight Hours or More

A minimal AIRES upload or a "minimal contact" is required for all WCC 28 offsite contacts of 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 AIRES upload must include a completed EMC that documents the contact scope, progress, conclusions, recommendations, etc. in either the "Examiner Comments" section on the Completion Information tab of the EMC or in the Executive Summary, Status Update or Supplementary Facts.

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.

Minimal uploads don't include Word and Excel files. To include these types of files in an upload, you must bypass the "minimal upload."

2. Documentation Requirements for Offsite Contacts Less Than Eight Hours

Examiners 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. If the aggregate time charged in a quarter is less than eight hours, an AIRES upload is not required.

[redacted]

NSPM content last updated July 29, 2015.

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

NSPM content last updated January 27, 2016.

E. Reviews of SSA Examinations (WCC 26)

SSAs upload AIRES examinations in a similar fashion as NCUA examiners. When NCUA receives an SSA examination report (typically through AIRES) and

a corresponding Scope module (except from the non-participating states), examiners typically have three hours to review the SSA report. Examiners typically refer to this type of offsite supervision contact as a "Code 26 Review" because they charge time spent to WCC 26. In essence, a Code 26 Review is the time an examiner spends to identify financial and operational risks in FISCUs. There is a more detailed description of the WCC 26 review process later in this section.

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 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, NCUA will not designate a FISCU to be in "troubled condition" without first making an onsite contact at the FISCU.

For CAMEL composite 4 or 5 ratings, 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. Examiners must start this onsite contact within ten business days of the WCC 26 review upload for the same FISCUs where there is an official or senior executive officer vacancy. The executive director must approve exceptions to this policy.

A code 26 review is not the measure for a "troubled condition" designation, the subsequent onsite contact is. See the NSPM for more information on notices of troubled condition for FISCUs.

NSPM content last updated September 12, 2016.

F. Processing Call Reports and Trending for a Federally Insured, State-Chartered Credit Union (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.

NSPM content last updated July 29, 2015.

6. Completing a Review of a State Examination (WCC 26)

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.

A. 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.

B. 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).

C. Review of the SSA Report

When completing a WCC 26 review, examiners will:

- Determine whether the report identifies and addresses the material issues
- Identify and document the SSA's supervision efforts and NCUA's supervision efforts
- Determine the appropriateness of the SSA's supervision

- Determine any CAMEL differences and communicate, through their supervisor, any adverse differences in the composite rating to the SSA (e.g., 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 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 (e.g., 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.

The review should not be a recap of the SSA's report but rather an analysis of the operational and financial condition of the credit union. Examiners will provide enough information to give a clear picture of this condition.

D. 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 questionnaire labeled "Review of State Examination." 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
- Input problem codes in the DOR module needing to be tracked and not included by the SSA
  - For items in the SSA report that meet NCUA's definition of a DOR, NCUA examiners are required to input the DOR, problem code and corrective action into the DOR module if the SSA did not do so in their AIRES upload (or if the SSA does not use AIRES). SSA DORs not meeting the NCUA definition may be input 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.
- Input both the NCUA and SSA CAMEL ratings on the CAMEL worksheet in Exam.xls and input any comments concerning the CAMEL rating and differences on this tab

- Complete the Consumer Compliance Violations module in AIRES, as applicable, for any violations (i.e., significant BSA violations) not addressed or reported correctly in the SSA report
- Discuss any plan of action with their supervisor, as applicable
- Perform any necessary follow-up action (e.g., verbal communication with the SSA, Regional Director letter), as applicable
- Upload the completed AIRES file

If an NCUA examiner assigns a composite CAMEL rating of 4 or 5 during a WCC 26 review where the NCUA examiner did not participate onsite and the SSA CAMEL rating is better, he or she must schedule an onsite contact to more fully evaluate material risks before the FISCU can be considered in troubled condition. Refer to the NSPM for more information about FISCUs in troubled condition.

NSPM content last updated July 29, 2015.

7. Requesting Additional Information from an SSA

Examiners notify their supervisor when the 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.

NSPM content last updated July 29, 2015.

8. Joint Conferences for Federally Insured, State-Chartered Credit Unions

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 via the standard form.

The SSA examiner and 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.

NSPM content last updated July 29, 2015.

9. Issuing a Report to a Federally Insured, State-Chartered Credit Union

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 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 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 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 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 a section for the SSA to include in the issued report titled "NCUA Concerns," which outlines these 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 NCUA's concerns and necessary corrective action.

NSPM content last updated September 12, 2016.

10. AIRES Uploads for a Federally Insured, State-Chartered Credit Union

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.

NSPM content last updated July 29, 2015.

11. Credit Union Enforcement Action

[redacted]

[redacted]

Prompt Corrective Action (PCA) – NCUA will communicate with the SSA on an ongoing basis regarding all actions involving FISCUs taken under Part 702 of the NCUA rules and regulations.

NSPM content last updated July 29, 2015.

12. Federally Insured, State-Chartered Credit Union 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 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

NSPM content last updated July 29, 2015.

13. NCUA Responsibilities Regarding Compliance Regulations in Federally Insured, State-Chartered Credit Unions

NCUA has the enforcement authority in state-charted credit unions for the following consumer regulations:

- Home Mortgage Disclosure Act (Reg C)
- Expedited Funds Availability Act (Reg CC)
- Flood Disaster Protection Act
- Truth in Savings Act
- Bank Secrecy Act (SSA has authority to review)[1]
- Depository Institution Management Interlocks Act
- Gramm-Leach-Bliley Act (Privacy of Consumer Financial Information)
- Homeowners Protection Act (PMI disclosures)

Part 711 of NCUA rules and regulations discusses the provisions of the Depository Institution Management Interlocks Act (aka "Interlocks Act" or "Management Official Interlocks").

NSPM content last updated July 29, 2015.

[1]While many SSAs have signed their own MOU with FinCEN, adherence to Part 748 is a requirement for federal insurance.

Chapter 13. OSCUI Consulting

In December 2004, the NCUA Board created the Office of Small Credit Union Initiatives (OSCUI) to focus on providing guidance, assistance, and information on development opportunities to small, new, Minority Depository Institutions, (MDI) and low-income designated credit unions nationwide. OSCUI's goal is to ensure the long-term viability and growth of these credit unions through four primary programs:

1. Delivering training to credit union staff and officials at in-person workshops, leadership boot camps, videos, and webinars.
2. Fostering partnerships and outreach opportunities between credit unions, governmental entities, community-based organizations, and the credit union industry to help identify external programs and services that help credit unions meet their members' needs.
3. Providing financial assistance in the form of grants and loans to low-income designated credit unions from NCUA's Community Development Revolving Loan Fund (CDRLF) administered by OSCUI and funded by Congress.
4. Providing operational and strategic management consulting services to small credit unions and MDIs enrolled in the consulting program through OSCUI's staff of economic development specialists.

After consultation with their SE, examiners may contact OSCUI at oscui-mail@ncua.gov for additional information on training, partnership and outreach programs, and loans and grants. The remainder of this section focuses on OSCUI's consulting services.

NSPM content last updated July 29, 2015.

1. Roles and Responsibilities

OSCUI relies on teamwork from other NCUA staff to effectively assist credit unions enrolled in the consulting program. NCUA staff responsibilities are outlined in the following sections of the NSPM:

- OSCUI Responsibilities
- Division of Supervision Responsibilities
- Supervisor Responsibilities

- Economic Development Specialist Responsibilities
- Field Staff Responsibilities

NSPM content last updated July 29, 2015.

A. OSCUI Responsibilities

- Prioritize EDS requests (priority will be given to NWRPs, emergency requests and new charter organizers)
- Assign an EDS upon enrollment of the credit union into the consulting program
- Communicate normal approval of requests/enrollment during the first five business days of July and January to the regional OSCUI liaison(s)

B. DOS Responsibilities

- Review incoming consulting nomination forms and participate in semi-annual enrollment discussions with OSCUI
- Participate in quarterly phone calls with OSCUI management for program updates
- Notify respective field staff of nominated credit unions not selected for enrollment during the semiannual review
- Copy the OSCUI director on any outgoing NWRP and RBP approval or denials in which an EDS assisted
- When applicable, provide feedback to OSCUI via the e-survey attached to each SYSAires notification (e-survey results are displayed on NCUA Central under Applications)

NSPM content last updated July 29, 2015.

C. Supervisor Responsibilities

- Discuss and recommend either approval or denial of consulting program nominations made by their examiners
- Provide feedback to OSCUI via the e-survey attached to each SYSAires notification (as applicable)

NSPM content last updated July 29, 2015.

D. Economic Development Specialist Responsibilities

- Contact the district examiner within 30 days of enrollment, and then 10 business days prior to actually starting work to establish communication and begin dialogue of issues involved in the request
- Discuss relevant DOR items, Examiner's Findings, etc. with the examiner
- Provide the examiner with a draft of the NWRP (if applicable) and request feedback prior to completing the contact
- Complete a written Contact Report and upload it in AIRES

NSPM content last updated July 29, 2015.

E. Field Staff Responsibilities

- Determine which credit unions would benefit from EDS assistance, and consider referring for program enrollment
- Contact their supervisor for approval to nominate a credit union for consulting services before completing the OSCUI Consulting Nomination Form
- Complete the nomination form by:
  - Providing detailed comments on the type of assistance needed
  - Stating the specific timeframe for completion if the request includes NWRP assistance
  - Including timeframes for completion as stated in the DOR if the request includes assistance relating to DOR items
- The assigned EDS will contact the examiner prior to working with the credit union. Once the EDS contacts the examiner, the examiner will share a clear understanding of the issues and discuss outstanding DOR items, Examiner’s Findings, etc., with the EDS
- Inform the DOS in the Regional Summary when an EDS assisted in developing the NWRP or RBP
- Review the Consulting Contact Report (CCR) and provide feedback to OSCUI via the e-survey link emailed to the examiner at the conclusion of the consulting contact. The purpose of the survey is to help assess the effectiveness of and evaluate potential changes to the consulting program.

NSPM content last updated January 27, 2016.

2. Credit Unions Eligible for the OSCUI Consulting Program

OSCUI's consulting program provides individualized training and assistance to credit unions on a variety of operational and strategic management issues. NCUA Instruction 6054 (Rev. 3), *OSCUI Consulting Program*, establishes guidelines for the OSCUI consulting program. Consulting services are available to the following federal and federally insured state-chartered credit unions:

- Small credit unions, as defined by Interpretive Ruling and Policy Statement 13-1
- Low income designated credit unions
- Minority Depository Institutions (MDI)
- Newly chartered credit unions in operation less than ten years
- Credit unions with less than $10 million in assets requesting assistance with drafting a net worth restoration plan (NWRP)

OSCUI also provides consulting services to credit union organizing groups with an approved field of membership from NCUA. EDSs will guide the organizing group through developing their business plans, and completing the chartering application.

NSPM content last updated July 29, 2015.

3. Key Consulting Services

Key consulting services EDSs provide to credit unions enrolled in the OSCUI consulting program include but are not limited to providing onsite or offsite training and guidance in the following areas:

- Budgeting
- Consumer compliance
- Field of membership expansion / capturing new markets
- Internal controls
- Marketing strategies

- Merger guidance
- New product and service development
- Recordkeeping
- Secondary capital
- Strategic planning

Section 702.206(b) of NCUA rules and regulations specifically provides for NCUA assistance to credit unions with less than $10 million in assets required to develop a NWRP. Section 702.307 provides for assistance to credit unions with less than $10 million in assets (regardless of how long the credit union has been in operation) with developing a revised business plan (RBP). OSCUI EDSs provide this assistance.

NSPM content last updated January 27, 2016.

4. OSCUI Consulting Program Enrollment

A. Standard Enrollment

OSCUI relies on a nomination process for enrollment in the consulting program. Nominations can be made by NCUA staff, state regulators, or directly by the credit union (self-nomination) using the OSCUI Consulting Nomination Form.

The consulting program runs on a semiannual schedule. Nomination forms received by November 30 are considered for the January – June consulting cycle; forms received by May 31 are considered for the July – December consulting cycle. Credit unions not selected for the consulting program are eligible to reapply for future consulting cycles.

Enrollment is based on available resources and priority ranking. OSCUI will focus its consulting efforts on credit unions that will benefit from the effort. Credit unions that have sufficient resources to pay for consultants and those credit unions that are unsustainable will not be enrolled.

All nominated credit unions will be notified by OSCUI of their enrollment status via email. Credit unions accepted for enrollment in the consulting program will be notified of the enrollment status as follows:

- OSCUI sends notification emails within five days to the examiner, supervisory examiner, regional DOS and EDS, providing the name of the EDS assigned to each enrolled credit union
- The assigned EDS will contact each enrolled credit union within the first ten business days of the six-month service period (January or July)

Further details regarding the enrollment and selection processes are outlined in NCUA Instruction 6054 (Rev 3), *OSCUI Consulting Program* , and on the OSCUI Consulting Nomination Form.

B. Non-Competitive Enrollment

There are a few exceptions to the standard enrollment process. Enrollment is non-competitive in these specific situations:

- NWRP assistance requests from credit unions with less than $10 million in assets
- Requests to assist new charter organizing groups which have an Office of Consumer Financial Protection and Access-approved field of membership
- Credit unions chartered in the past three years
- Urgent need requests

Nominations for non-competitive enrollment are also made using the OSCUI Consulting Nomination Form.

OSCUI may contact regions and OCFPA to determine the viability of the non-competitive nominee. Credit unions accepted on a non-competitive basis will be notified of their enrollment status via email by the OSCUI director.

"Urgent" needs are unanticipated events such as a natural disaster, loss of key staff, or loss of sponsor support. A drop in CAMEL ratings does not quality as an urgent need.

NSPM content last updated October 27, 2016.

5. OSCUI Consulting Program Contact Reports

To document the consulting work done at the credit union the EDS will complete a written Contact Report and upload it via AIRES. The Contact Report will

include a narrative identifying the scope of the contact, the assistance provided, and follow-up recommendations for field staff.

NSPM content last updated July 29, 2015.

6. Removal from Consulting Program

Credit unions are automatically removed from the consulting program when the assignment is complete or the end of the assigned consulting cycle, whichever comes first.

Credit unions that are uncooperative or no longer desire EDS assistance will be removed from the program once the appropriate regional DOS has been notified. This action does not prevent the credit union from future participation in the OSCUI consulting program when circumstances change.

Chapter 14. Prompt Corrective Action

Prompt corrective action (PCA) is designed to restore and improve the net worth of federally-insured credit unions (FICUs). When a credit is subject to PCA, the district examiner will monitor compliance to all applicable provisions of PCA contained in Part 702 of NCUA rules and regulations. 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.

Additional references include chapter 17 of the *Examiner's Guide*, Prompt Corrective Action, and Letter to Credit Unions 01-CU-01, *Prompt Corrective Action (PCA) Implementation Information*.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

B. Net Worth Category Classification

Examiners need to consider if a credit union meets any applicable risk based requirements for PCA classification.

Net Worth Category PCA Classification	New Credit Union	Credit Union NOT Classified as New under PCA
Well capitalized	7% or higher	7% or higher

Net Worth Category PCA Classification	New Credit Union	Credit Union NOT Classified as New under PCA
Adequately capitalized	6% to 6.99%	6% to 6.99%
Undercapitalized	3.5% to 5.99%	4% to 5.99%
Significantly under-capitalized	2% to 3.49%	2% to 3.99%
Critically under-capitalized	0% to 1.99%	<2%

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.

NSPM content last updated July 29, 2015.

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. This is determined by the 5300 Call Report filing and the most typical effective date.
- The date the credit union received subsequent written notice from NCUA or, if state-chartered, the appropriate SSA, of:
  - a decline in net worth category due to a correction of an error or misstatement in the credit union's most recent Call Report
  - a reclassification to a lower net worth category on safety and soundness grounds

If you are recommending lowering the credit union's net worth category to less than well capitalized based on an examination or supervision contact, you must complete the following actions:

- Obtain your supervisor's concurrence, note the agreement in the Confidential Section of the AIRES 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.

NSPM content last updated July 29, 2015.

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:

Credit Union Description	Effective Date
Federal credit union (FCU)	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.
Federally insured, state-chartered credit union (FISCU)	NCUA examiners should consult and work cooperatively with the appropriate state supervisory authority (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 official examination report

Credit Union Description	Effective Date
	• 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 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.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

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
  - 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. You should instruct management to establish procedures to reduce dividends to achieve the required earnings retention requirements or obtain an earnings waiver from 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, consult with your 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.

NSPM content last updated July 29, 2015.

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).

NSPM content last updated July 29, 2015.

3. Net Worth Restoration Plans and Revised Business Plans

District examiners are responsible for monitoring compliance with the proper filing and maintenance of a net worth restoration plan (NWRP) under §702.206 and a revised business plan (RBP) 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 a RBP. Credit unions classified as complex per §702.103 also need to meet a risk based net worth (RBNW) requirement and if their RBNW requirement exceeds their net worth ratio they are classified as under-capitalized.

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 (OSCUI) 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 OSCUI assistance by completing the Consulting Nomination Form and checking the NWRP box in the Immediate Services Requested section of the form.

NSPM content last updated July 29, 2015.

A. Processing a Federal Credit Union NWRP/RBP

1. 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

2. 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.

NSPM content last updated July 29, 2015.

B. Processing a Federally Insured, State-Chartered Credit Union 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

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NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

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.

NSPM content last updated July 29, 2015.

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

A. Discretionary Supervisory Actions

NCUA Instruction 3500.01, *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, NCUA may approve other corrective action (OCA) 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.

1. 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.

2. Timing of Submission

Timing of these submissions is critical, especially when NCUA Board approval is required. 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.

NSPM content last updated July 29, 2015.

3. 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 Prompt Corrective Action 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 rules and 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 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 experts with the region. DOS will forward complete requests to the examiner, through their supervisor, for review, concurrence and a recommendation for approval or denial. Examiners will document sufficient analysis to support the recommended action.
- Examiners will prepare a memo summarizing the application and make a recommendation for approval or denial. The supervisor will review the package and forward it to DOS indicating their concurrence or non-concurrence with the examiner's recommendation. DOS will then review and process the action for Regional Director approval after determining the examiner has provided sufficient support and documentation for the administrative record.

NSPM content last updated July 29, 2015.

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:

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

- 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

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NSPM content last updated July 29, 2015.

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

NSPM content last updated July 29, 2015.

Template: Quarterly PCA Tracking Report

QUARTERLY PCA TRACKING REPORT

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Template: Regional Summary of OCA Regional Director Approval

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Samples: Net Worth Category Reclassification

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Sample: NWRP/RBP and Assumptions Workbook

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Template: Regional Summary of NWRP/RBP Reviews

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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

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Template: Approve NWRP/RBP

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Template: Deny NWRP/RBP

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Template: Notify Credit Union of Need to Revise or Replace NWRP

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Template: Notify Credit Union of Need to Submit NWRP/RBP

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Template: Notification that NWRP/RBP is No Longer Required

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Chapter 16. Regulatory Waivers and other Regulatory Actions

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. 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. This section is not inclusive of all types of waivers. It reflects NCUA rules and regulations as of May 17, 2012. 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.

NSPM content last updated July 29, 2015.

1. General Procedures and Requirements for Waivers

A. Roles and Responsibilities

1. 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.

2. 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.

3. 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.

4. 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.

NSPM content last updated July 29, 2015.

B. Processing a Waiver Request

In general, the following procedures will be used to process FCU waiver requests. Please refer to each specific waiver type outlined in this section of the NSPM for unique processing steps.

1. Division of Supervision Initial Review Responsibilities

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

2. Field Staff Review Responsibilities

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.

3. Division of Supervision Processing Responsibilities

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.

NSPM content last updated July 29, 2015.

C. Processing a Waiver Request from a Federally Insured, State-Chartered Credit Union

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 rules and regulations applies to state-chartered federally insured credit unions and incorporates the §701.32 requirements.

NSPM content last updated July 29, 2015.

D. 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.

1. Member Business Loans

Reference	Description	Timeframe	Automatic Approval
§722.3 Appraisal Requirements	Use of an alternate valuation method or type of appraiser not addressed in this section The waiver for this requirement is outlined in §722.3(a)(9) and §723.10(a) of the rules and regulations. The approval timeframe is outlined in §723.12(d).	45 days	Yes
§723.3(a) Aggregate Construction and Development (C&D) Loan Limits	Waiver to exceed aggregate C&D loan limit of 15% of net worth		
§723.3(b) Minimum Borrower Equity Requirements for Construction and Development Loans	Waiver of the 25% equity interest in the project financed		
§723.7(a) LTV Ratio Requirements for MBLs	Waiver to exceed 80% LTV, or 95% LTV with PMI or some other guarantee allowed per the regulation		
§723.7(b) Requirement for Personal Liability and Guarantee	Waiver of the personal liability and guarantee requirement for the specific		

Reference	Description	Timeframe	Automatic Approval
	MBL Waiver(s) may be granted on a single loan or as a blanket waiver with certain restrictions as outlined below. In small businesses and investor real estate lending, it is standard practice for the principal to shoulder the bulk of the risk through personally guaranteeing the loan as they generally are in a position to personally benefit the most from the success of the business entity.		
§723.7(c)(2) Maximum Unsecured MBL to One Member or Group of Associated Members	Waiver to exceed aggregate unsecured MBL limit of the unsecured outstanding member business loans to any one member or group of associated members of the lesser of $100,000 or 2.5% of net worth		
§723.7(c)(3) Maximum Aggregate Unsecured MBL Loan Limit	Waiver to exceed the aggregate amount of all unsecured outstanding MBLs of 10% of net worth		

Reference	Description	Timeframe	Automatic Approval
§723.8 Maximum Aggregate NMBL to Any One Member or Group of Associated Members	Waiver for a higher amount, the aggregate amount of net member business loan (NMBL) balances to any one member or group of associated members must not exceed the greater of 15% of the credit union's net worth or $100,000		
§723.16(b)(2) Aggregate Member Business Loan Limit	To request approval from the NCUA Regional Director, a credit union must submit an application that: • Includes a current copy of the credit union's member business loan policies • Confirms that the credit union is in compliance with all other aspects of this rule • States the credit union's proposed limit on the total amount of non-	30 days	N/A

Reference	Description	Timeframe	Automatic Approval
	member loans and participation interests that the credit union may acquire if the application is granted		

2. Other Waiver Types

Reference	Description	Timeframe	Automatic Approval
§701.14 c(2)(i) Waiver of Prior Notice – Change in Official or Senior Executive	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.	None	No
§701.21(h) Third-party servicing of indirect vehicle loans	(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-	None	No

Reference	Description	Timeframe	Automatic Approval
	party servicer and its affiliates would exceed: (i) 50 percent of the credit union's net worth during the initial thirty months of that third-party servicing relationship; or (ii) 100 percent of the credit union's net worth after the initial thirty months 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.		
§715.9c(6) Audit waiver	Specify a target date of delivery of the written reports. Such target date not to exceed 120 days from date of calendar or fiscal year-end under audit (period covered), unless the supervisory committee obtains a waiver from the supervising NCUA Regional Dir-	None	No

Reference	Description	Timeframe	Automatic Approval
	ector		
§701.36 Occupancy waiver	NCUA may waive the requirement for a credit union to partially occupy premises within six years after the date of acquisition. 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.	Response within 45 days	No
§701.36 Abandoned premises waiver	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	RD response within 45 days	No

Reference	Description	Timeframe	Automatic Approval
	be based on safety and soundness considerations.		
§701.32(b)(3) Non-member deposits waiver	NCUA may approve a maximum amount of non-member shares in excess of 20% of total shares or $3 million (whichever is greater). Before accepting non-member shares in excess of the maximum amount, the credit union board 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.	RD response within 30 calendar days Unless otherwise specified by the RD, exemptions are normally for a two-year period.	No
§701.22(b)(5) Loan participation waiver	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.	RD response within 45 calendar days	No

Reference	Description	Timeframe	Automatic Approval
	Waivers from federally insured state-chartered credit unions required concurrence of the appropriate state supervisory authority.		

NSPM content last updated January 27, 2016.

E. Periodic Review and Revocation of Waivers

Examiners will review outstanding regulatory waivers at every examination. Regions will review outstanding regulatory waivers every three years.[1] This requirement applies to any waiver that involves authority for ongoing activity (as opposed to a waiver for a single action).

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

[1]The three year timeframe review began July 1, 2012.

- 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).

NSPM content last updated July 29, 2015.

F. 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. Division of Supervision 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:

[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.

  - 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.

2. 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
- 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

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NSPM content last updated July 29, 2015.

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 NCUA rules and 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. An FCU must submit a written request for a waiver 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 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.

NSPM content last updated January 27, 2016.

C. 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

NSPM content last updated January 27, 2016.

Template: Respond to Incomplete Request for Occupancy Waiver

Template: Acknowledge Request for Occupancy Waiver

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TEMPLATE: Regional Summary of Occupancy Waiver Request

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TEMPLATE: Approve Request for Occupancy Waiver

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TEMPLATE: Deny Request for Occupancy Waiver

3. Non-Member Deposits Limitation Waiver

Credit union public unit and nonmember accounts cannot exceed the greater of 20 percent of total shares or $3.0 million unless approved by the Regional Director.

Nonmember share deposits in low-income designated credit unions accepted to meet the matching requirement for loans granted through the Community Development Revolving Loan Program are not subject to the 20 percent limitation on nonmember deposits. Additionally, credit unions must maintain the increase in the total amount of matching share deposits for the duration of the loan.

The following template letters are available related to nonmember deposit waivers:

- Respond to Incomplete Request for Non-Member Deposit Exemption
- Acknowledge Request for Non-Member Deposit Exemption
- Respond to Violation of Non-Member Deposit Exemption
- Regional Summary of Non-Member Deposit Exemption
- Approve Request for Non-Member Deposit Exemption
- Deny Request for Non-Member Deposit Exemption

If a violation is identified, DOS will respond to the violation using their preferred expedited mail delivery service available, to the credit union advising the board of directors they are in violation of the regulatory limit. The letter will require the board of directors to submit an acceptable plan within 30 days to bring the credit union into compliance (i.e., return nonmember deposits or other reasonable alternative action). If the credit union intends to continue additional nonmember deposit activity, it must submit a waiver package that provides sufficient support in accordance with 701.32(b)(3).

NSPM content last updated July 29, 2015.

A. Templates

- Respond to Incomplete Request for Non-Member Deposit Exemption
- Acknowledge Request for Non-Member Deposit Exemption

- Regional Summary of Non-Member Deposit Exemption
- Approve Request for Non-Member Deposit Exemption
- Deny Request for Non-Member Deposit Exemption
- Respond to Violation of Non-Member Deposit Exemption

NSPM content last updated July 29, 2015.

TEMPLATE: Respond to Incomplete Request for Non-member Deposit Exemption [redacted]

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TEMPLATE: Acknowledge Request for Non-Member Deposit Exemption

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TEMPLATE: Regional Summary of Non-Member Deposit Exemption

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TEMPLATE: Approve Request for Non-Member Deposit Exemption

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TEMPLATE: Deny Request for Non-Member Deposit Exemption

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TEMPLATE: Respond to Violation of Non-Member Deposit Exemption

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4. Earnings Transfer Waiver

Sections 702.201 and 702.303 of the NCUA rules and regulations address earnings transfer requirements for credit unions subject to prompt corrective actions (PCA).

The following templates related to earnings transfer waivers are available :

- Respond to Incomplete Request to Decrease Earnings Transfer Requirements
- Approve Request to Reduce Earnings Transfer Requirement
  - Sections of this template apply onto to FICUs with undivided earnings deficits
- Deny Request to Reduce Earnings Transfer Requirement
- Regional Summary of Decrease in Earnings Transfer Requirement

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NSPM content last updated July 29, 2015.

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 Revised Business Plan (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

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NSPM content last updated July 29, 2015.

B. Reduction of the Earnings Transfer Requirement

The 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 a 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 the credit union originally projects that earnings will be sufficient in their 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 the SSAs cannot unilaterally approve earnings retention waiver requests from FISCUs.

NSPM content last updated July 29, 2015.

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

NSPM content last updated July 29, 2015.

Template: Respond to Incomplete Request to Reduce Earnings Transfer Requirement

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Template: Regional Summary of Decrease in Earnings Transfer Requirement

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Template: Approve Request to Reduce Earnings Transfer Requirement

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Template: Deny Request to Reduce Earnings Transfer Requirement

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5. Member Business Loan Waiver

Supervisory Letter 13-01, *Evaluating Credit Union Requests for Waivers of Provision in NCUA rules and regulations Part 723, Member Business Loans (MBLs)*, provides interpretive guidance for MBL waivers subject to Part 723 of NCUA rules and regulations. Part 723 establishes a framework to manage the overall risk associated with business lending. The risks associated with each business borrower are unique; therefore, the rule allows for waivers of certain regulatory provisions in order to give credit unions the necessary flexibility to meet the needs of the members they serve.

Supervisory guidance provides additional clarity for the waiver process and assists examiners in determining the need and qualifications of both the borrower and credit union when waivers are requested. A supervisory letter was also issued under Letter to Credit Unions 13-CU-02, *Member Business Loan Waivers*. When reviewing MBL waivers, examiners will refer to Supervisory Letter 13-01, *Evaluating Credit Union Requests for Waivers of Provisions in NCUA Rules and Regulations Part 723, Member Business Loans (MBLs)*, and the information provided in this section of the NSPM.

Rules and Regulation Section	Description
§722.3 Appraisal Requirements	Use of an alternate valuation method or type of appraiser not addressed in this section
§723.3(a) Aggregate Construction and Development Loan Limits	Waiver to exceed aggregate C&D loan limit of 15% of net worth
§723.3(b) Minimum Borrower Equity Requirements for Construction and	Waiver of the 25% equity interest in the project financed

Rules and Regulation Section	Description
Development Loans	
§723.7(a) LTV Ratio Requirements for MBLs	Waiver to exceed 80% loan-to-value (LTV). If a credit union intends to make a loan with an LTV in excess 80% and does not have private mortgage insurance (PMI) or the other guarantees listed in the regulation, the credit union must apply for a waiver. However, if a credit union has PMI or some other guarantee, per the regulation, they can extend a loan up to 95% LTV without a waiver. If a credit union wants to exceed 95% LTV, it must apply for a waiver.
§723.7(b) Requirement for Personal Liability and Guarantee	Waiver of the personal liability and guarantee requirement for MBLs. Waiver(s) may be granted on a single loan or as a blanket waiver with certain restrictions as outlined in this section of the NSPM. In small businesses and investor real estate lending, it is standard practice for the principal to shoulder the bulk of the risk through personally guaranteeing the loan as they generally are in a position to personally benefit the most from the success of the business entity.
§723.7(c)(2) Maximum Unsecured MBL to One Member or Group of Associated Members	Waiver to exceed aggregate unsecured MBL limit of the unsecured outstanding member business loans to any one member or group of associated members of the lesser of $100,000 or 2.5% of net worth.
§723.7(c)(3) Maximum Aggregate Unsecured	Waiver to exceed the aggregate amount of all unsecured outstanding MBLs of 10% of net worth

Rules and Regulation Section	Description
MBL Loan Limit	
§723.8 Maximum Aggregate NMBL to Any One Member or Group of Associated Members	Waiver for a higher amount, the aggregate amount of net member business loan balances to any one member or group of associated members must not exceed the greater of 15% of the credit union's net worth or $100,000

The following templates related to MBL waivers are available:

- Respond to Incomplete Request for MBL Waiver
- Acknowledge Request for MBL Waiver
- Regional Summary of MBL Waiver
- MBL Waiver Review Checklist
- Approve Request for MBL Waiver
- Deny Request for MBL Waiver

NSPM content last updated July 29, 2015.

A. Field Staff Responsibilities

Examiners and their supervisors are responsible for evaluating the risk posed by a request for an MBL waiver. During the evaluation, the examiner should review all pertinent documents and information to determine if an onsite contact is necessary. For a list of items to review, see the Regional Summary of MBL Waiver and the MBL Waiver Review Checklist.

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 MBL 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 a regional lending specialist (RLS) who may be able to offer additional support for concurrence or denial.

When approval is recommended, the examiner's recommendation may establish expiration or other appropriate limits (e.g., dollar amount, percentage of net worth, etc.) to the waiver activity as a control mechanism, when appropriate. By limiting the waiver, NCUA will have the opportunity to evaluate the success of the program.

NSPM content last updated July 29, 2015.

B. Member Business Loan Waiver Request Packages

As described in §723.11, MBL waiver requests must contain:

- A copy of the credit union's business lending policy
- The higher limit sought (if applicable)
- An explanation of the need to raise the limit (if applicable)
- Documentation that supports the credit union's ability to manage this activity
- An analysis of the credit union's prior experience making member business loans that includes, at a minimum:
  - History of loan losses and loan delinquency
  - Volume and cyclical or seasonal patterns
  - Diversification of risk
  - Concentrations of credit to one borrower or group of associated borrowers in excess of 15 percent of net worth
  - Underwriting standards and practices
  - Types of loans grouped by purpose and collateral
  - Qualifications of personnel responsible for underwriting and administering member business loans

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NSPM content last updated July 29, 2015.

C. Monitoring after Approval

Examiners will:

- Complete the required Member Business Loan Questionnaire within AIRES
- Ensure the credit union is compliant with the regulations and the approved waiver
- Document compliance with the waiver in the Scope during each contact until the waiver expires or is revoked

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NSPM content last updated July 29, 2015.

D. Violations

1. MBL Waiver Violations

If during a subsequent examination the examiner identifies a violation of the MBL waiver, the examiner 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 waiver. At a minimum, the DOR will direct the credit union to submit a written plan for resolution to the Regional 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 waiver.

If the examiner and supervisor determine the violation of the waiver does not present a heightened material risk to the credit union and believes the 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.

2. MBL Rule Violations

Violations of the MBL rule identified during an examination are a serious matter. Examiners and credit union management must develop an action plan to correct the violation.

If the violation is material in nature or the examiner has evidence the credit union violated Part 723 deliberately, examiners should consult with their supervisor on the need for heightened administrative action. At a minimum, the DOR will direct the credit union to submit a written plan for resolution to the Regional

Director. If the credit union fails to comply with the DOR, a Regional Director letter should be developed to compel the credit union to provide a written plan of action within a specified timeframe.

When a violation is identified, examiners need to evaluate the overall risk and determine a correct course of action. Options for correcting violations (tailored to the nature of the violation) could include:

- Divestiture of the loan
- Sale of a participation interest in the loan to reduce the credit union's share of the loan balance
- Directing the credit union to pursue one or more of the following actions at the first contractual opportunity (e.g., loan default, request for refinance or advance, etc.)
- A partial pay-down of the loan
- Outside refinancing of the loan
- Additional collateral be pledged for the loan in question; and/or
- The personal liability and guarantee of the principal(s) be obtained
- Forbearance as granted by the Regional Director; or
- Other action to resolve the violation

Forbearance should not be considered if the violation poses significant financial risk to the credit union.

NSPM content last updated July 29, 2015.

E. Templates

- Respond to Incomplete Request for MBL Waiver
- Acknowledge Request for MBL Waiver
- MBL Waiver Review Checklist
- Regional Summary of MBL Waiver

- Approve Request for MBL Waiver
- Deny Request for MBL Waiver

NSPM content last updated July 29, 2015.

TEMPLATE: Respond to Incomplete Request for an MBL Waiver

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TEMPLATE: Acknowledge Request for MBL Waiver

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TEMPLATE: MBL Waiver Review Checklist

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TEMPLATE: Regional Summary of MBL Waiver

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TEMPLATE: Approve Requeset for MBL Waiver

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TEMPLATE: Deny Request for MBL Waiver

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6. Member Business Loan Nonmember Aggregate Approval

The MBL Nonmember Aggregate Approval is a separate type of approval and not included as a type of MBL waiver allowed under §723.10. Section 723.16 allows a Regional Director or SSA to grant approval to a credit union to exceed the aggregate limit on net member business loans for nonmember business loans. The total of the credit union's net member business loan balances and the nonmember loan balances must not exceed the lesser of 1.75 times the credit union's net worth or 12.25 percent of the credit union's total assets, unless the credit union has first received approval from the NCUA Regional Director.

The following templates are available related to requests to exceed the MBL nonmember aggregate limit:

- Regional Summary of MBL Non-Member Aggregate Approval
- Approve Request to Exceed Aggregate MBL Non-Member Loan Limit
- Deny Request to Exceed Aggregate MBL Non-Member Limit

A. Nonmember Aggregate Approval Request Packages

As described in §723.16, the approval request must contain the following:

- A current copy of the credit union's member business loan policies
- Confirmation that the credit union is in compliance with all other aspects of the rule
- The credit union's proposed limit on the total amount of nonmember loans and participation interests the credit union may acquire if the application is granted
- Attestation that the acquisition of nonmember loans and participations is not being used, in conjunction with one or more other credit unions, to have the effect of trading member business loans that would otherwise exceed the aggregate limit

NSPM content last updated July 29, 2015.

B. Templates

- Regional Summary of MBL Non-Member Aggregate Approval
- Approve Request to Exceed Aggregate MBL Non-Member Loan Limit
- Deny Request to Exceed Aggregate MBL Non-Member Limit

NSPM content last updated July 29, 2015.

TEMPLATE: Regional Summary of MBL Non-Member Aggregate Approval

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TEMPLATE: Approve Request to Exceed Aggregate MBL Non-Member Loan Limit

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TEMPLATE: Deny Request to Exceed Aggregate MBL Non-Member Limit

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7. Member Business Loan Aggregate Limit Exception

Section 723.18 of NCUA rules and regulations permits the Regional Director (or SSA where applicable) to grant an exception to the aggregate MBL limit.

> The MBL Aggregate Limit Exception is explained under §723.17 and §723.18 of NCUA rules and regulations. An "exception" is separate and distinct from a "waiver," and is handled differently.

This exception allows a credit union's member business loan portfolio to exceed the lesser of 1.75 times the credit union's net worth or 12.25 percent of the credit union's total assets. To obtain the exception, a credit union must submit documentation to the Regional Director (FISCUs submit to the SSA) demonstrating that it meets the criteria of one of the exceptions.

Exceptions are granted based on the credit union's ability to qualify for one of three circumstances:

- Credit unions with a low income designation or participation in the Community Development Financial Institutions Program
- Credit unions chartered for the purpose of making member business loans; or
- Credit unions with a history of primarily making member business loans (i.e., either business loans comprise at least 25 percent of the credit union's outstanding loans, or member business loans comprise the largest portion of the credit union's loan portfolio, as evidenced in a Call Report for 1998 or any prior three years per §723.17(c) of NCUA rules and regulations)

Although there is no regulatory requirement, a 30 day response timeframe is recommended from the date of receipt of a complete package in the regional office. The regulatory limit for an appeal is 60 days. Exceptions do not expire unless revoked by the Regional Director or SSA.

NSPM content last updated July 29, 2015.

8. Loan Participation Waiver

Section 701.22(b)(5) of NCUA rules and 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 a regional lending specialist (RLS) who may be able to offer additional support for concurrence or denial.

NSPM content 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

NSPM content last updated July 29, 2015.

TEMPLATE: Respond to Incomplete Request for Loan Participation Limit Waiver

TEMPLATE: Acknowledge Request for Loan Participation Limit Waiver

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TEMPLATE: Regional Summary of Loan Participation Limit Waiver

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9. 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 (LICUs). See NCUA's Low Income Designation Fact Sheet for more information on the low income designation process.

NCUA rules and 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 non-members 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.

NSPM content last updated July 29, 2015.

A. Secondary Capital Plans

The board of directors of a LICU will adopt a Secondary Capital Plan (plan) and forward it to the appropriate Regional Director for approval. NCUA rules and regulations §701.34(b)(1) discusses the minimum plan requirements.

1. Required Information

Each secondary capital account established by a LICU must meet the regulatory requirements, which require a written plan for the use of the funds in the accounts and subsequent liquidity needs to meet the repayment requirements upon maturity.

2. Timeframes for Approval

Approval is automatic if a completed plan is not denied within 45 days of receipt.

3. Division of Supervision (DOS) Initial Responsibilities

Within five calendar days of the regional office receiving the plan, DOS will perform a cursory review to determine whether the plan meets minimum requirements.

If the plan is considered **incomplete**, DOS will:

- Contact the credit union to obtain the missing information; or
- Prepare an incomplete/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.
- Ensure the letter lists the additional information the credit union must submit if they would like the request to be re-considered. DOS will copy the examiner and supervisory examiner on the letter.

If the plan is considered **complete**, DOS will:

- Prepare and send an acknowledgment letter to the credit union using the region's preferred expedited mail delivery service
- 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

4. Field Staff Review Responsibilities

Examiners and their supervisor will evaluate the credit union's plan. After evaluating the plan, the examiners will:

- Complete a Regional Summary to include an approval or denial recommendation
- Draft a letter to approve, partially approve, or deny the proposed SCP using the appropriate template

  - Approve Secondary Capital Plan
  - Approve Secondary Capital Plan with Contingency
  - Deny Secondary Capital Plan
- Email the approval, partial approval, deferral, or denial 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.

5. 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 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'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.

NSPM content last updated July 29, 2015.

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. 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.

1. Required Information

The Secondary Capital Redemption (SCR) 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).

2. Timeframes for Approval

Approval for Secondary Capital Redemption is automatic if not denied within 45 days of receipt.

3. 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 minimum requirements of NCUA rules and regulations §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/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 supervisory examiner on the letter.

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 NCUA rules and 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 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.

If the 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
- 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

4. 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, partially approve, or defer, or deny the request using the appropriate template
    - Approve Secondary Capital Plan
    - Approve Secondary Capital Plan with Contingency
    - Respond to Incomplete Proposed Secondary Capital Plan
    - Deny Secondary Capital Plan

- Email the approval, partial approval, deferral, or denial 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.

5. 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 supervisor will be contacted to discuss further. 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. 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.

NSPM content last updated July 29, 2015.

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

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

NSPM content last updated July 29, 2015.

TEMPLATE: Respond to Incomplete Proposed Secondary Capital Plan

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TEMPLATE: Acknowledge Submission of Secondary Capital Plan

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TEMPLATE: Regional Summary of Secondary Capital Plan

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TEMPLATE: Approve Secondary Capital Plan with Contingency

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TEMPLATE: Approve Secondary Capital Plan

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TEMPLATE: Acknowledge Request to Redeem Secondary Capital

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TEMPLATE: Regional Summary of Request to Redeem Secondary Capital

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TEMPLATE: Approve Request to Redeem Secondary Capital

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10. Templates

Templates are available for the following regulatory waivers and other regulatory actions:

- Occupancy Waiver
- Non-Member Deposits Limitation Waiver
- Earnings Transfer Waiver
- Member Business Loan Waiver
- Member Business Loan Non-Member Aggregate Waiver
- Loan Participation Waiver
- Secondary Capital Plan

NSPM content last updated July 29, 2015.

Chapter 17. Unauthorized Access to Member Information

Part 748, Appendix B, of NCUA rules and regulations requires a credit union to notify the appropriate NCUA Regional Director as soon as possible when a credit union 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 NCUA in every instance. NCUA's Legal Opinion Letter 06-0332, *Re: Components of Security Response Program.*, clarifies that credit unions are not required to notify NCUA if an incident of unauthorized access to member information involves little or no likelihood of harm to the member. Federally insured, state-chartered credit unions must also notify the applicable state supervisory authority in the event of an incident.

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.

If NCUA field staff receive notification of unauthorized access to member information, they may also report incidents as warranted.

In the event of unauthorized access to member information, a credit union is responsible for investigating and addressing the incident. Procedures for oversight of a credit union's incident response are outlined in this section of the NSPM.

NSPM content last updated December 30, 2016.

1. Roles and Responsibilities

A. Field Staff

Examiners and Supervisory Examiners (SE) are responsible for reviewing all reported instances of unauthorized access to member information. The examiner is the primary contact with a credit union to ensure issues are identified, documented, properly reported, investigated and adequately addressed.

Field staff are responsible for the following actions:

- Part 748, Appendix B, of NCUA rules and regulations requires a credit union to notify the appropriate NCUA Regional Director. If a credit union notifies an examiner, the examiner will forward the notification to the Regional Director on behalf of the credit union
- Upon receiving an assignment from DOS, complete the Regional Summary of Unauthorized Access to Member Information
- Contact the credit union official to schedule an on- or offsite contact necessary to facilitate the review
  - AIRES upload requirements for contacts associated with a notification of unauthorized access are consistent with NSPM guidance for on- and offsite contacts.
- Review all reported instances of unauthorized access to member information
- Send the Regional Summary, which includes an examiner assessment of the credit union's response program, to the supervisory examiner (report should outline review steps taken, findings, and any recommendations for action)
- Review and forward the Regional Summary to DOS for concurrence (supervisory examiner only)

B. Regional Division of Supervision

DOS is responsible for receiving notifications of unauthorized access to member data from field staff or credit unions and coordinating the follow-up review with field staff. Upon receipt of notification, DOS will:

- Review the notification and record it in the regional tracking system.
- Forward FISCU notifications to the applicable state supervisory authority as soon as possible
- Draft and send a memo to acknowledge the notification to the credit union within ten days of receipt of the notification
- Determine if follow-up assessment is necessary
  - Follow-up is not necessary if an incident of unauthorized access to member information involves little or no likelihood of harm to the member
- If an assessment is necessary, prepare and send a work assignment to complete a Regional Summary to the supervisory examiner and the district examiner, including a copy of the notification
- Review all completed field Regional Summaries and evaluate the examiner's assessment of the credit union's response program
  - Upon concurrence, DOS will submit the recommendation and proposed response (use the Respond to Notification of Unauthorized Access 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
- Post copies of all original notifications, acknowledgement letters, response letters, and completed Regional Summaries to the central office using E&I's SharePoint Post Office
  - Posting should be completed regularly as documents are finalized, but no later than 60 days from the notification

All required documentation must be posted to the central office. If an incident of unauthorized access to member information involves little or no likelihood of harm to the member, the Regional DOS will post the original notification and acknowledgement letter.

C. Supervisory Examiner

The supervisory examiner, or a designee, will:

- Determine if the size and complexity of a reported unauthorized access to member information requires a designated IS&T subject matter expert or

RISO to provide assistance in evaluating the incident and response.

D. E&I

E&I is responsible for maintaining a log of reported instances of unauthorized access to member information.

NSPM content last updated January 27, 2016.

2. 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)

NSPM content last updated January 27, 2016.

Template: Acknowledge Notification of Unauthorized Access to Member Data

Template: Regional Summary (Unauthorized Access to Member Data)

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Sample: Respond to Notification of Unauthorized Access to Member Data

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Chapter 18. Work Classification Codes

Examiners use work classification codes (WCCs) 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.

- General codes
- Administrative codes
- Subject matter examiner codes
- Economic development specialist codes
- Office of Consumer Financial Protection and Access codes

1. Reporting Bank Secrecy Act Review Time

NCUA began tracking time spent reviewing BSA compliance during examinations, insurance reviews, and on-site and off-site supervision contacts on all time reports beginning the week ending March 8, 2014. Examiners will record the number of hours spent reviewing BSA compliance in the *BSA HRS* column in TMS.NET. Total contact hours will include the BSA review hours similar to how SME hours are recorded.

2. Reporting Specialist Time

Time spent by specialists (RLS, RCMS, RISO, PSS) working in their particular specialty area or providing/receiving training in their specialty area will be recorded 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, 07, or 19.

NSPM content last updated October 27, 2016.

3. General Work Classification Codes

Classification	WCC	Definition
OSCUI Consulting Program – Follow-up, Unen-	04	EDS time spent following up on

Classification	WCC	Definition
rolled, and Field Staff Review		credit unions previously enrolled in the consulting program and brief assistance provided to credit unions never enrolled in the consulting program. Also includes time spent by examiners reviewing OSCUI consulting contact reports and completing the EDS feedback survey. (Must include credit union's charter or insurance certificate number in TMS.NET.)
Lending Specialists	05	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 (e.g., researching loan related topics, developing training materials and training staff, mentoring examiners, and answering examiner inquiries). Charge RLS time spent on detail to E&I to Detail to Central Office (WCC 43).
Chartering and FOM Activities	06	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 activities.

Classification	WCC	Definition
Capital Market Specialist-Administrative Time	07	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 (e.g., 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&I to Detail to Central Office (WCC 43).
Subject Matter Examiner (SME) Special Program Time	08	Time spent by SMEs not directly related to a credit union examination or supervision contact (e.g., developing training materials and training staff, researching examiner or credit union questions, performing data analysis, etc.) Charge time spent providing specialized training during credit union contacts to OJT SME Trainer (WCC 40).
Management/Staff Development Details	09	Time spent completing activities for the Management Development Program or any other type of staff developmental program, such as OMWI's Mentor-

Classification	WCC	Definition
		ing Program or the USDA's Executive Leadership Program.
Examination FCU – Regular	10	Regular examination of a federally chartered credit union. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination. SME and specialist time, and time spent reviewing BSA compliance, should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*. (AIRES)
Examination FISCU – Regular	11	Examination/insurance review of any federally insured, state-chartered credit union (FISCU). Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination/insurance review. SME and specialist time, and time spent reviewing BSA compliance, should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*. (AIRES)
Examination Corporate FCU	12	Regular examination of a federally chartered corporate. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination. SME and specialist time, and time spent reviewing

Classification	WCC	Definition
		BSA compliance, should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*. (AIRES)
Examination Corporate SCU	13	Regular examination of a federally insured state-chartered corporate. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination. SME and specialist time, and time spent reviewing BSA compliance, should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*. (AIRES)
Examination NFICU	15	Examination of a non-federally insured, state-chartered natural person (typically conversion examinations) or corporate credit union. (AIRES)
Information Systems Officer or Payment Systems Specialist Time	19	Information Systems Officer or Payment Systems Specialist time spent on IS&T and Payment System issues. This pertains to time spent not directly related to a credit union, vendor or CUSO (for example, researching IS&T or payment systems topics, developing training materials and training staff, mentoring examiners, reviewing pilot program applications,

Classification	WCC	Definition
		and answering examiner inquiries).
5300 / 5310 Program FCU	20	Processing of 5300 Call Reports, Financial Performance Report (FPR) trending analysis, and Risk Analysis and Trending Evaluation (RATE) for consumer FCUs. Processing of 5310 reports and Consolidated Balance Sheet (CBS) trending reports for corporate FCUs.
5300 / 5310 Program SCU	21	Processing of 5300 Call Reports, FPR trending analysis, and Risk Analysis and Trending Evaluation (RATE) for consumer FISCUs. Processing of 5310 reports and CBS trending reports for corporate FISCUs.
Supervision On-site – FCU	22	On-site supervision and follow-up exams of FCUs. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to a supervision contact. SME and specialist time, and time spent reviewing BSA compliance, should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*. (AIRES)
Supervision On-site – FISCU	23	On-site supervision and follow-up exams of FISCUs. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to a supervision contact.

Classification	WCC	Definition
		SME and specialist time, and time spent reviewing BSA compliance, should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*. (AIRES)
Vendor Review	24	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.
Review of State Examinations	26	Evaluation of examination reports completed by state supervisory authorities. (AIRES)
Supervision Off-site – FCU	27	Off-site supervision of FCUs. (AIRES in accordance with NSPM.) If the purpose of the off-site supervision was to follow up with credit unions to assess operational capacity following a natural disaster, document this in the comments section of TMS.NET. Time spent reviewing BSA compliance should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*. Off-site supervision of FCUs. (AIRES in accordance with NSPM.) If the purpose of the off-site supervision was to follow up with credit unions to

Classification	WCC	Definition
		assess operational capacity following a natural disaster, document this in the comments section of TMS.NET. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to a supervision contact. SME and specialist time, and time spent reviewing BSA compliance, should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*.
Supervision Off-site – FISCU	28	Off-site supervision of SCUs. (AIRES in accordance with NSPM.) If the purpose of the off-site supervision was 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, PSS) activity directly related to a supervision contact. SME and specialist time, and time spent reviewing BSA compliance, should be reported using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*.
CUSO Review	29	Reviews or examinations of credit union service organizations.

Classification	WCC	Definition
Pre-Exam Planning FCU	94	Planning prior to FCU examination. 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.
Pre-Exam Planning FISCU	95	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.
Consumer Compliance Priorities FCU	96	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.
Consumer Compliance Priorities FISCU	97	Time specifically allocated to reviewing compliance with federal consumer financial protection laws and regulations in FISCUs as directed by management. Not part of safety and soundness examination or supervision activity.

4. Administrative Work Classification Codes

Classification	WCC	Definition
Office	30	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.
Technology Administration	31	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 Office of the Chief Information Officer (OCIO) Customer Service Help Desk, etc.
OJT SME Trainee	34	Time spent receiving specialized SME training during credit union contacts. The SME specialty area should be identified using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*.
SE/DSA Details	35	Examiner time spent as acting supervisory examiner (SE) or director of special actions (DSA).
OCIO Technical Support Desk	36	Examiner details to OCIO, including the OCIO Technical Support Desk. Charge examiner time spent on the Technology Development Team (TDT) developing, testing, or training on AIRES to Detail to central office (WCC 43).
Meetings/Conferences –	37	Meetings or conferences external to NCUA

Classification	WCC	Definition
External and Internal		such as chapter meetings, meetings with other agencies, and topic presentations outside of NCUA. Also, meetings or conferences internal to NCUA such as SE group meetings, time spent with supervisors to review performance or Individual Development Plans, or private confidential mediation sessions.
Training – Classroom	39	Training courses normally in the classroom setting for senior examiners and new examiners. This time code should also be used for online training.
OJT SME Trainer	40	SME time spent providing specialized training during credit union contacts. The SME specialty area should be identified using the most recent version of NCUA Instruction No. 5000.13, *Work Classification Code Definitions*.
Training - OJT and Trainee	41	Non-productive training time for new examiners and their trainers.
Online Meetings, Conferences, and Webinars	42	Online meetings, conferences, and webinars such as webinars providing training on new agency guidance, the Chairman's quarterly webinars with staff, etc.
Detail to Central Office	43	Detail assignments to the central office. Includes: • National committee and/or working group assignments • Equal Employment Opportunity (EEO) counselors • *Accounting Manual* and *Examiner's Guide* revisions

Classification	WCC	Definition
		• IS&T field (vendor reviews) and office details • Consumer compliance details • RLS and RCMS assignments to the central office, including instructor and training assignments • Commenting on national issuances (e.g., instructions, regulations, supervisory letters), etc. Does not include details to OCIO (see WCC 36) or OSCUI (see WCC 18).
Detail to Regional Office	44	Detail assignments to the regional office, including regional committee assignments, developmental details, regional office training, details to the region's Division of Special Actions or Division of Supervision, etc.
Travel – FCU	45	Travel associated with a FCU
Travel – SCU	46	Travel associated with a SCU
Travel - Training/Meetings/Conf.	47	Travel associated with training, meetings, conferences, or details
Administrative Leave	56	Administrative Leave
Restored Leave	57	Restored Leave is annual leave that was scheduled by later denied by the supervisor. Restored leave would be "Use or Lose" leave.
Award Leave	58	Award Leave
Military Leave	59	Military Leave
Court Leave (Jury Duty)	60	Court Leave (Jury Duty)
Sick Leave – Family	61	Sick Leave – Family Member

Classification	WCC	Definition
Member		
Sick Leave – Family Funeral	62	Sick Leave – Family Funeral
Sick Leave – Family Adoption	63	Sick Leave – Family Adoption
FMLA for Family	64	FMLA for family
FMLA for Employee	65	FMLA for employee
Holiday	66	Official government holiday
Annual Leave	67	Annual leave
Sick Leave	68	Sick leave
Other Leave	69	Other leave
Union Official Term Negotiations	70	A bargaining unit employee union representative use of approved official time, including applicable travel time, to participate in term and/or reopener negotiations covered in Article 41 of the Collective Bargaining Agreement (CBA) and related bargaining preparation. Hours are separate from the time bank in Article 6.
Union Official Mid-Term Negotiations	71	A bargaining unit employee union representative use of approved official time, including applicable travel time, to participate in negotiations covered by Article 8 of the CBA. Hours are separate from the time bank in Article 6.
Union Official Dispute Resolution	72	A bargaining unit employee union representative use of approved official time, including applicable travel time, to represent employees in activities covered by Articles 28, 29, 30, and 31 as well as to participate in FLRA proceedings. Hours are sub-

Classification	WCC	Definition
		ject to the time bank and individual limits in Article 6.
Union Official General Labor/Management Relations	73	A bargaining unit employee union representative use of 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 are subject to the time bank and individual time limits in Article 6 of the CBA.
Union Official Partnership Activities	74	A bargaining unit employee union representative use of approved official time, including applicable travel, to participate in approved NCUA/NTEU partnership activities. Hours are separate from the time bank in Article 6 of the CBA.
Union Official B1 Negotiations	75	A bargaining unit employee union representative use of approved official time, including applicable travel time, to participate in bargaining topics covered by the NCUA/NTEU B1 bargaining agreement. Hours are separate from the time bank in Article 6 of the CBA.
Bargaining Unit Employee Official Time (Replaces Prior Code 91)	76	A bargaining unit employee use of approved duty time, including any applicable travel time, to meet with union representatives concerning grievances or other representational matters.
Bargaining Unit Employee Partnership Activities	77	A bargaining unit employee use of approved official time, including applicable travel time, to participate in approved NCUA/NTEU partnership and to participate

Classification	WCC	Definition
		in bargaining topics covered by the NCUA/NTEU B1 bargaining agreement.
Credit Hours Earned	80	Credit hours earned
Credit Hours Used	81	Credit hours used
Compensatory Time Earned	84	Compensatory time earned
Compensatory Time Used	85	Compensatory time used
Travel Compensatory Time Earned	88	Travel compensatory time earned
Travel Compensatory Time Used	89	Travel compensatory time used
Paid Overtime	98	Paid overtime

NSPM content last updated January 27, 2016.

5. Subject Matter Examiner Time Codes

Subject matter examiners (SMEs) time spent working or training in a particular specialty area will be recorded in TMS.NET using the SME Type column and the SME Hour column. These columns should be used for training, examination or supervision work, or any administrative time associated with an SME area.

Hours reported in the *WCC* column will include the hours reported in the *SME Hours* column. Hours reported in the *SME Hours* column represent the amount of reported WCC hours spent performing SME-related work, and may be less than the hours reported in the *WCC* column. The *SME Hours* column is not expected to reconcile with the hours reported in the *WCC* column.

Classification	SME Type	SME Code	Definition
Capital Markets SME	CMS	1	Productive and administrative time related to Capital Markets SME work

Classification	SME Type	SME Code	Definition
Information Systems & Technology SME	IST	2	Productive and administrative time related to Information Systems & Technology SME work
Payment Systems SME	EPS	3	Productive and administrative time related to Payment Systems SME work
Recordkeeping/Internal Controls SME	RIC	4	Productive and administrative time related to Recordkeeping/Internal Controls SME work
Specialized Lending SME	SL	5	Productive and administrative time related to Specialized Lending SME work
Consumer Compliance SME	CC	6	Productive and administrative time related to Consumer Compliance SME work

NSPM content last updated January 27, 2016.

6. Economic Development Specialist Work Classification Codes

The following work codes are for economic development specialists (EDSs) to record productive time not directly related to a specific credit union. EDSs should record one-on-one credit union direct assistance as WCC 2. Field staff that do not work for OSCUI should not charge time to these work codes.

Classification	WCC	Definition
Guiding Credit Union Organizers	01	EDS consulting to organizers of potential new federal credit unions
Enrolled Consulting Program - Onsite	02	EDS onsite consulting to credit unions currently ENROLLED in the consulting program (AIRES)

Classification	WCC	Definition
Consulting Program – Follow-up and Unenrolled	04	EDS phone consulting to credit unions enrolled into previous consulting semesters, or those never enrolled. This time code is for limited and follow-up consulting.
OSCUI Projects	14	EDS time spent working on OSCUI defined projects. (Must identify the project by name or ID number in the comments section of TMS.NET)
OSCUI Training	16	EDS time spent on development/implementation of OSCUI events: webinars, videos, workshops, staff meetings, and boot camps
Training at Non-OSCUI Events	17	EDS time spent preparing for and speaking at NON-OSCUI events for the industry and NCUA including examiner group meetings, examiner level training, and presentations at community organizations, trade associations, and government institutions
OSCUI Support	18	EDS time spent drafting OSCUI responses to proposed regulations, and developing/revising OSCUI policies, procedures, and management information systems including projects as assigned This code captures details to the OSCUI Alexandria office, as well as time spent supporting OSCUI outreach and grant initiative efforts.
Enrolled Consulting Program – Offsite	25	EDS offsite consulting to credit unions currently ENROLLED in the consulting program (AIRES)

NSPM content last updated January 27, 2016.

7. Office of Consumer Financial Protection and Access Work Classification Codes

The following work codes are only for use by staff in the Office of Consumer Financial Protection and Access to document consumer compliance reviews related to specific credit unions. Field staff that do not work for OCFPA should not charge time to these work codes.

Classification	WCC	Definition
OCFPA Onsite Fair Lending Review	03	On-site fair lending reviews of credit unions, including related on-site follow-up contacts. Regional field staff will charge time spent participating with OCFPA on fair lending reviews to Detail to Central Office (WCC 43). (AIRES)
OCFPA Complaint Review	32	OCFPA review of consumer complaints about federally chartered credit union (FCU) matters involving federal consumer protection laws and regulations. (AIRES)
OCFPA Off-site Fair Lending Supervision Contact	33	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).

NSPM content last updated October 27, 2016.

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[1] [redacted]

[2] [redacted]

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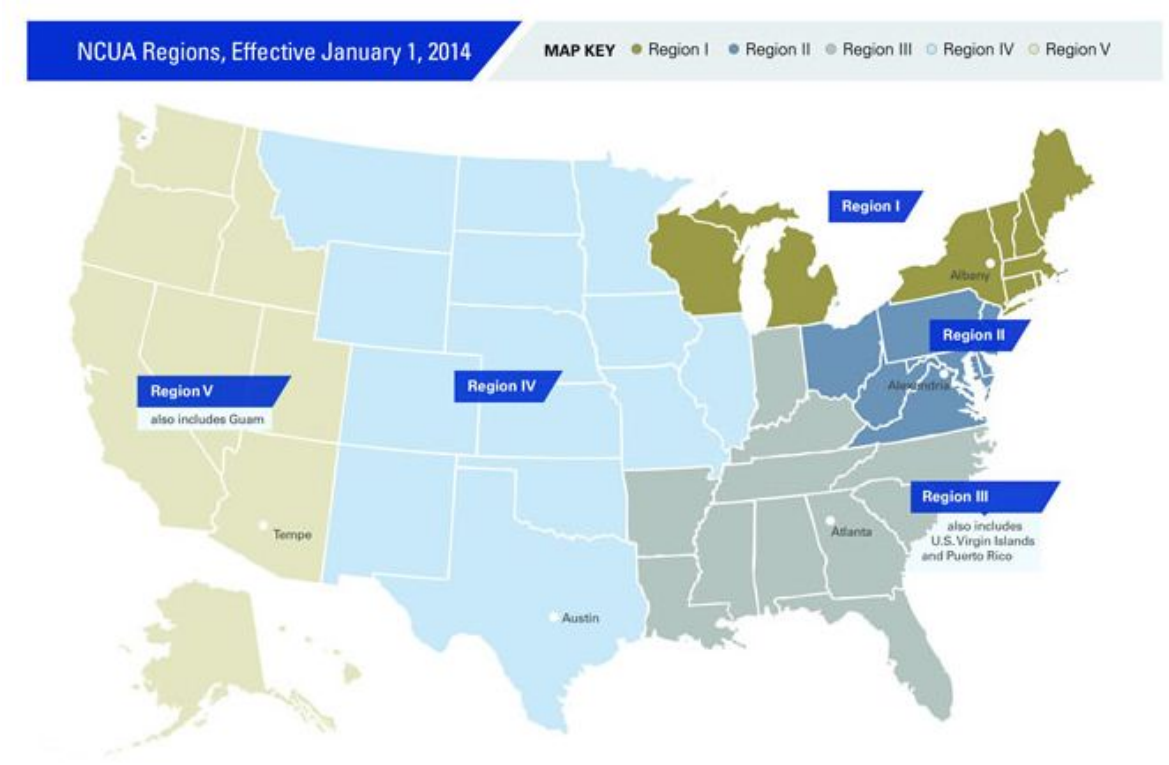
Regional Office Map



NSPM content last updated July 29, 2015.

Glossary

A

AIRES
Automated Integrated Regulatory Examination System

AIRES Scope module
Throughout the NSPM, "AIRES Scope module" also includes the Corporate Examiner 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

ARDP
Associate Regional Director of Programs

B

BAM
Board Action Memorandum

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.

CTR
Currency Transaction Report

CU
Credit union

D

DCM
Division of Capital Markets

DE
District Examiner

DOEP
Designation of Exempt Persons

DOI
Division of Insurance

DOJ
Department of Justice

DOS
Division of Supervision

DSA
Division of Special Actions

E

E&I
Office of Examination and Insurance

ED
Executive Director

EDS
Economic Development Specialist

EIC
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.).

F

FCU
Federal credit union

FFIEC
Federal Financial Institutions Examination Council

FHA/VA
Federal Housing Administration / Veterans Administration

FICU
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

FPR

Financial Performance Review

FRB

Federal Reserve Bank

FTC

Federal Trade Commission

H

HUD

Department of Housing and Urban Development

I

IRPS

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

L

LTV
Loan-to-value

M

MARS
Management Automated Resource System

MBL
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

N

NCUSIF
The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.

New credit union
For PCA purposes, a new credit union is one which has been in operation for less than 10 years and has total assets of not more than $10 million.

NFICU
Non-federally insured credit union

NWR
Net worth ratio

O

OCFPA
Office of Consumer Financial Protection and Access

OCIO
Office of the Chief Information Officer

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.

P

PCO
Problem Case Officer

PE
Principal Examiner

R

RBP
Revised Business Plan

RCMS
Regional Capital Market Specialist

RD
Regional Director

RDL
Regional Director letter

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
RIC generally stands for "reviewer in charge." In the WCC SME codes, it stands for "recordkeeping/internal control."

RISO
Regional Information Systems Officer

RLS
Regional Lending Specialist

RO
NCUA regional office

S

SAR
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

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

SME
Subject Matter Examiner

SSA
State Supervisory Authority

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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