Chapter 21

JOINT CONFERENCE AND EXIT MEETING

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Chapter 21

JOINT CONFERENCE AND EXIT MEETING

Examination Objectives

- Establish an open forum for discussion of items of interest or concern
- Convey the results of the examination to the officials and senior management
- Reach agreements on plans of action and timeframes to reduce levels of unacceptable risk

Joint Conference

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. A joint conference 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 rely on the joint conference and the examination report to convey concerns about the credit union's operation and persuade management to take appropriate steps to implement necessary corrective action. The examination report provides the officials with documentation of conclusions reached at the joint conference and other problems noted during the examination.

Examiners should prioritize communicating with credit union officials and management throughout the examination process. Nothing presented at the joint conference, exit interview, or in the examination report should catch the officials by surprise. Examiners should set aside time periodically to discuss with management and officials developments in the examination. They may also provide a draft copy of the report and give the officials and management sufficient time to review it before the joint conference or exit interview.

Examiners <u>must</u> hold a joint conference at the end of every examination for a credit union coded CAMEL 3, 4, or 5. Additionally, examiners will hold a joint conference in a Code 1 or 2 credit union if the credit union board so requests. Otherwise, the examiner will hold an exit meeting, rather than a joint conference meeting, unless substantive concerns exist or if the examiner determines the need for a communication forum. In state-chartered credit unions, the agreement

between the region and the state usually governs the procedures for a joint conference (refer to the FISCU chapter for more specific information.)

Examiners should inform key officials in credit unions with probable codes of CAMEL 1 or 2 early in the examination process that they may request a joint conference. The examiner may invite the credit committee, supervisory committee, and key staff to attend the joint conference; however, as a courtesy, the examiner may want to discuss whom to invite with the board chairperson before extending invitations.

When the likelihood of holding a joint conference is high, the examiner-in-charge should meet with the president or chairman as early as possible during the examination to make necessary arrangements. The examiner should emphasize the importance of having a quorum of the board of directors in attendance. If the examiner learns that a quorum cannot or will not attend, or encounters problems that may extend the examination time, the examiner should reschedule the joint conference.

Examiners should endeavor to make the joint conference constructive, and conduct it in a business-like manner that promotes clear, understandable communication with the officials. Requesting the officials prepare minutes of the joint conference will avoid misunderstandings. Credit unions often use tape recorders to record their meetings. The officials usually ask for the examiner's concurrence before taping the joint conference, a request to which the examiner normally agrees. However, the examiner may request a copy of the tape or a transcript.

When examiners do not expect to hold a joint conference, they should make certain the officials understand they may request a joint conference at the conclusion of the examination. In the event no joint conference will occur, examiners should make every effort to have at least one volunteer official present at the exit meeting.

Exit Meeting

An exit meeting differs from a joint conference in that an exit meeting does not require a quorum of the board attend. Generally, attendance at

an exit meeting consists of top management, key staff and possibly one or more officials. Without a quorum of the board in attendance, binding action cannot take place at an exit meeting. Examiners must hold an exit meeting and/or a joint conference at the end of every examination; however, Code 1 or 2 credit unions require only an exit meeting, not a joint conference.

The examiner can determine the format and structure of the exit meeting, which need not require the same degree of formality as a joint conference. For example, before a joint conference, the EIC will provide a preliminary review of the examination results to key staff and possibly some officials. This gives management the opportunity to discuss their concerns and any aspect of the examination (e.g., risk profile, recommendations, findings, loan exceptions.) The examiner can use information gathered from this meeting to prepare for the joint conference and finalize the exam report.

At an exit meeting, the examiner normally discusses the following:

- Current and potential risk profile of the credit union;
- Examination findings (normally, fairly minor in nature);
- Needed corrections; and
- Any necessary action that management must take to the next board meeting, with the agreement that management will notify the examiner of the actions taken.

Joint Conference/ Exit Meeting Agenda

Examiners should conduct both joint conferences and exit meetings in a clear, concise, and orderly manner. An agenda helps examiners keep their meetings focused and organize their presentations to ensure coverage of pertinent data in a logical order. It assists the examiners in differentiating material items from nonessential ones, and allows them to concentrate on topics of most importance. An agenda also provides documentation of topics discussed. Although an agenda is recommended for every meeting, some examiners may forgo preparing an agenda for an exit meeting in a credit union with no, or very minor, concerns.

In cases of a team examination, the EIC may ask the team member most familiar with a specific problem area to attend the meeting. This

team member can discuss or answer questions that may arise concerning that portion of the examination.

Joint Conference/ Exit Meeting Preparation

During the course of each examination, examiners will discuss the credit union's risk profile, problems, and recommended solutions with management or key officials. This discussion serves to elicit their cooperation and agreement as well as eliminate or reduce potential conflicts that may occur at the joint conference. To maximize the meeting's effectiveness, the EIC should resolve minor problems with management before the exit meeting.

Before a joint conference, examiners should also develop with management and key officials initial plans for corrective action that the credit union will take to correct material problems noted in the examination. The officials then need time to read, discuss, and understand what the Document of Resolution means and the effect it will have on the credit union. Examiners may minimize conflicts if management and officials agree to plans of action before the joint conference.

Conducting the Joint Conference

The effectiveness of the joint conference directly relates to successful communication and examiner credibility. Examiners enhance their credibility when their conduct remains dignified, professional, and objective. They should keep in mind the volunteer status of most officials, who often have differing backgrounds and skills. Examiners should provide the officials encouragement as well as constructive criticism. The examiner should discuss major points and present the information needed to enact corrective action.

Examiners may incorporate the following guidelines to help effectively plan and conduct a joint conference:

- Establish rapport with officials early in the joint conference. Let attendees know that everyone present has the common goal of serving the best interests of credit union members;

- Compliment the officials for specific achievements and for their volunteer time, if appropriate;

- Encourage two-way communications. Invite the officials to participate freely in the discussions. Ask questions frequently to ascertain the officials' understanding of the information presented; and

- Present material in a clear, concise, positive and logical manner.

Examiners should not dictate credit union policy, but rather should lead and persuade officials to proper action. Examiners may find that using a "working copy" of the Document of Resolution, which was previously discussed with management, promotes better understanding and discussion at the joint conference. Key officials and staff will more likely "buy into" and implement plans that they have a part in developing. The willingness of the examiner to adjust or revise recommendations during the joint conference can directly affect the plan's effectiveness.

If the board adopts the proposed Document of Resolution, the examiner may present the formal copy of the examination report to the chairman of the board at the joint conference. If the proposed Document of Resolution changes, the examiner should arrange to either deliver the formal report to the chairman or mail it upon completion.

If the examiner and credit union do not reach agreement for needed corrective action during the joint conference, the examiner should give the officials a reasonable amount of additional time after the joint conference to discuss the Document of Resolution and develop an alternate plan of action. In this situation, the examiner should footnote the Document of Resolution to require that officials present the examiner with the board-developed plans of action, usually within 30 days after the joint conference.

If the officials recommend a reasonable alternative method of resolving a problem, examiners should give strong consideration to accepting the recommendation. After reviewing the board's plan, the examiner should notify the board as to its acceptability. An unacceptable alternative plan of action may require the examiner to schedule another meeting with the board.

The examiner should obtain firm commitments from the officials for carrying out the plans of action. The board minutes should record agreements, disagreements, and promises. The examiner should review all the agreements reached with officials at the conclusion of the conference.

The Confidential Section of the examination report provides examiners a place to record the details of the meeting, including whether expansion into underserved areas was discussed. The examiner should discuss the opportunity to expand credit union service to underserved communities in certain credit unions identified for such possible expansion by the region, the supervisory examiner, or the examiner. When meeting with officials of the credit union, either at the joint conference or exit interview, the examiner must state clearly that the discussion regarding increasing credit union service to underserved communities is not part of the examination.

Other Persons Present

Since examiners must maintain confidentiality regarding the matters discussed at the joint conference, they may prefer not having persons other than credit union officials and employees present. However, officials may wish to invite other persons. When this occurs, the examiner should advise all officials that they must take full responsibility for disclosure of any confidential information that may result from the presence of outsiders. If any official objects to an outsider and the participants cannot resolve the issue, the examiner should postpone the meeting until a later date.

In those rare instances when examiners object to the attendance of any outside individual, they should consult their supervisory examiners for guidance. If the supervisory examiner concurs with the examiner, the examiner should review the situation with the board chairman. If the chairman cannot or will not resolve the problem, the examiner should reschedule the meeting and prepare a memorandum outlining the problems. Determining in advance who will attend the joint conference will usually avoid such conflict.