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**[1] 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**[2]). The Exam Steering Group will review and evaluate field office and/or SE level specific practices to determine if they require E&I approval.

[redacted]

[redacted]

[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[2]Office of Examination and Insurance

Table of Contents

Introduction ..... **i**

Feedback? i

Table of Contents ..... **i**

Welcome to the NSPM ..... **x**

Navigate the NSPM xi

Search the NSPM xi

Administrative Remedies **1**

General Responsibilities 2

Types of Administrative Remedies 4

Regional Director Letter 6

Letter of Understanding and Agreement 8

Preliminary Warning Letter 18

Civil Money Penalty 22

Status Update 25

Special Assistance Cases 26

Control Reports 26

Administrative Remedies Templates 27

Audits and Recordkeeping **28**

Audit Report Review 28

Audit Workpaper Review 30

Audits by Licensed Independent Accountants 31

Unacceptable Audits and Member Account Verifications 32

Audits Conducted by Supervisory Committee or Other External Auditor 32

Significant Recordkeeping Concerns 33

Addressing Bond Claims 36
Determine Bondability Status 37
BSA Supervision 38
BSA Compliance 39
Risk-Focused BSA Reviews 41
Confidentiality 42
BSA Violations 43
CCV in Issue Details 44
Violation Resolution in FCUs 45
FISCU BSA Reviews 48
BSA Reporting and Quality Control 49
Change of Officials for Troubled and Newly Chartered Credit Unions 52
DOS Responsibilities 52
Exam Staff Responsibilities 54
Affected Credit Unions 54
Required Information 54
Approval Process 55
Waiver of 30 Day Notification Requirement 56
Grounds for Denial 56
Request for Reconsideration and/or Appeal 58
Application Withdrawal 58
Change of Officials for Troubled and Newly Chartered Credit Unions Templates 59
Corporate Credit Union Program and Procedures 60
Corporate Policies and Procedures 60

Corporate Regulatory Waivers 61
Processing Corporate Requests for Expanded Authority 65
Investment Action Plans (IAP) 70
Capital Restoration Plans (CRP) 74
Corporate Credit Union Service Organizations 85
Prompt Corrective Action 89
CUSO Registry 94
Exam Staff and Regional Office Responsibilities 95
Additional Regional Office Responsibilities 96
CUSO Registry Templates 97
CUSO Reviews 98
General Responsibilities Regarding CUSOs 99
Selecting, Scheduling, and Resourcing CUSO Reviews 101
Scope of Review 102
CUSO Review Report and Workpapers 103
Distributing a Draft Review Report 105
Distributing a Final Review Report 106
Management Conference 108
CUSO Follow-Up Reviews 109
CUSO Review Report Maintenance 110
State Supervisory Authorities & CUSO Reviews 111
CUSO Review Templates 111
Derivatives Authority 113
Roles and Responsibilities 113
Derivatives Application Review Procedures (Application Credit Unions) 115

Derivatives Application Appeal Process 121

Derivative Notification Procedures (FISCUs and FCUs with Assets over $500 million and a CAMELS Management Component Rating of 1 or 2) 122

Derivatives Monitoring and Controls 124

Derivatives Authority Templates 125

Dishonesty, Fraud, and Insider Dealings 126

Roles & Responsibilities 126

Level 1 Fraud Response 126

Level 2 Fraud Response 126

Other Fraud Response 126

E&I-Directed Fraud Contact 126

Fraud Indicator Report 126

Fraud Hotline Investigations 127

District Management 128

Examination and Supervision Program 128

General Supervision Responsibilities 130

Examination and Supervision Budgeting 135

Scheduling Examinations and Contacts 137

Examination and Supervision Planning 146

Examiner Work Allocation 151

Concentration Risk Reviews 154

Supervision Chronology Report 163

Administrative Actions for Troubled Credit Unions 164

Notice of Troubled Condition 164

Call Report, Trending Analysis, RADAR, and RATE 168

Closed Information Questionnaire 174

Joint Conferences and Exit Meetings 176
Communicating Directly with a Credit Union 179
Communicating with Law Enforcement, Outside Audit Firms, or Other Federal Agencies 182
Supervising a New Credit Union 182
Critical Case Credit Unions 183
Control Reports 186
Develop and Issue Guidance 187
Administrative Items 189
District Management Templates 201
Examination Complaints 202
Material Supervisory Determination Exclusions 203
Examination Complaint Investigation Goals 204
Roles and Responsibilities 204
Exam Complaints Templates 206
Examination Reports 207
Examination Report 208
Report Components 210
Effective Writing 235
Citations 237
Fair Lending Examination Program and Procedures 241
Roles and Responsibilities 241
Federal Credit Union Selection for Review 244
Requested Participation for SCU Selected for Review by SSA 246
On-Site Fair Lending Exams (WCC 03) 246
Off-Site Fair Lending Exams (WCC 33) 247

Contact Documentation 248
Contact Follow-Up 249
Administrative Remedies 250
Administrative Items 253
Quality Assurance 254
FCU Program and Procedures 255
MERIT Exam Tasks (Scope) 255
Membership Data Information 258
Federal Credit Union Examinations (WCC 10) 258
Federal Credit Union Supervision Contacts 258
OCFP/Regional Office Fair Lending Examinations and Supervision Contact Coordination 267
FISCU Program and Procedures 271
NCUA Onsite Presence Criteria 271
MERIT Exam Tasks (Scope) 272
Exam Types 275
Communication with an SSA 281
Supervision Contacts 283
Request Additional Information from an SSA 300
Disclose NCUA CAMELS and Risk Ratings 301
Joint Conferences 306
Issue a Report to a FISCU 307
Exam and Contact Closure 308
Credit Union Enforcement Action 309
Consumer Compliance Program 309
Prompt Corrective Action 311

Prompt Corrective Action Classification 311

Earnings Retention Requirements for "Adequately Capitalized" or Lower Federally Insured Credit Unions 315

Net Worth Restoration Plans and Revised Business Plans 317

Invoking Discretionary Supervisory Actions and Other Corrective Actions for a Critically Undercapitalized Credit Union 323

Monitoring and Controls 324

Prompt Corrective Action Templates 325

Postmortems and CU Closure/Failure Reporting 327

Requirements 328

Implement Recommendations 337

Credit Union Closure/Failure Reporting 338

Failure Reporting 340

At-cost Failure 340

No-cost Failure 340

Failure Date 341

Fraud Reporting 342

Postmortem and CU Failure/Closing Reporting Templates 343

Purchase and Assumption of Non-NCUA Insured Institutions 344

Regional Office Responsibilities 344

Exam Staff Responsibilities 350

E&I Responsibilities 352

OGC Responsibilities 352

CURE Responsibilities 353

Purchase and Assumption of Non-NCUA Insured Institutions Templates and Job Aids 353

Quality Assurance Program 355

Quality Assurance Goals 355
Types of Quality Assurance Reviews 356
Quality Assurance Roles and Responsibilities 362
Quality Assurance Templates 370
Regulatory Waivers and other Regulatory Actions 371
Roles and Responsibilities 371
Earnings Retention Waiver 382
Loan Participation Waiver 384
Occupancy Waiver 385
Subordinated Debt 386
Regulatory Waivers and other Regulatory Actions Templates 400
Small Credit Union and Minority Depository Institution Support Program Framework 403
Overview and Objective 403
Types of Assistance 403
Providing Assistance 405
Selecting Recipients 406
Documentation, Reporting, and Monitoring 407
Small Credit Union and Minority Depository Institution Support Program Framework Templates 409
Unauthorized Access to Member Information 410
Roles and Responsibilities 411
Process Notifications 413
Assess Response Plan Effectiveness 414
Ensure Supervision Plans are Commensurate with Risk 414
Unauthorized Access to Member Information Templates 417

Work Classification Codes **418**

Reporting SME Time 418

Reporting Specialist Time 418

General Work Classification Codes 419

Administrative Work Classification Codes 429

Subject Matter Examiner Time Codes 435

Office of Consumer Financial Protection Work Classification Codes 436

Regional Office Map **438**

Glossary **439**

Welcome to the NSPM

The National Supervision Policy Manual establishes national policies, procedures, and guidelines for effective district management, supervision of credit unions, and quality assurance.

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**[1] 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. The Exam Steering Group promotes the consistent application of the examination procedures outlined in the NSPM, and vets and coordinates the need for any additional examination policies and procedures across the agency by evaluating field office and/or SE level specific practices to determine if they require **E&I**[2] approval.

General Exam & Supervision	Waivers & Regulatory Actions	Quality Control	Specialized Subject Matter
District Management FCU Program and Procedures FISCU Program and Procedures Administrative Remedies	Regulatory Waivers and Other Regulatory Actions Prompt Corrective Action Change of Officials	Quality Assurance Program Examination Complaints	BSA Enforcement Audits, Recordkeeping, and Fraud CUSO Reviews Corporate Credit Union Program and Procedures

[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[2]Office of Examination and Insurance

Work Classification Codes

Navigate the NSPM

Navigate the NSPM using the interactive menu to the left. Click a topic to show content in the reading pane, or to expand a topic and see more information. Use the back button in your browser to go back a page. Links to content outside the NSPM will open in a new browser tab or window.

Search the NSPM

The search box in the upper right-hand corner of the page will search the NSPM for terms you enter. Search results will appear in the reading pane, and the term you search for will be highlighted on any pages you open from the list of terms. To turn off the highlighting, click the "Remove Highlights" button at the top of the reading pane.

Last updated January 22, 2018

Administrative Remedies

Administrative remedies are a broad range of actions that, while including formal actions such as published LUAs and cease and desist orders, also includes informal actions such as DORs, RDLs, unpublished **LUAs**[1], and PWLs. These actions are available to prevent or eliminate serious operational and financial problems in credit unions. Administrative remedies provide protection to credit unions, credit union members, creditors, the **NCUSIF**[2], and the credit union industry. Administrative remedies are tools available to the NCUA to affect problem resolution.

The NSPM provides an overview of administrative actions and establishes expectations, procedures, and controls for developing and processing specific informal and formal actions. This guidance, and the provided correspondence templates, are intended to improve efficiency and consistency in preparing administrative actions. The templates must be modified to make them suitable for the particular facts and circumstances of a given case. The details of the particular problems, as well as the expected timeframes and specific corrective action, should be clearly spelled out in the body of the agreement. **OGC**[3] 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.

Last updated November 09, 2021

[1]Letter of understanding and agreement
[2]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.
[3]NCUA's Office of General Counsel

General Responsibilities

E&I and OGC

- Review administrative actions for concurrence when required under delegated authority
- Routinely request reports from the regions and may periodically request a sampling of issued administrative actions for quality control purposes as part of an ongoing quality assurance process
- Review regional activity as a means of tracking regional and national trends for resource, consistency, and policy formation purposes and will issue a semi-annual national summary of administrative actions
- Provide advice and guidance on the use and issuance of administrative actions

Regional Directors

- Ensure any recommended administrative action is warranted and supported
- Confirm proper monitoring of administrative actions and sufficient progress of problem resolution
- Provide a process to track administrative actions and provide Control Reports as discussed in BSA Control Reports

Supervisors

- Confirm examiners adequately recognize and address risk(s) and use the appropriate level of administrative action
- Follow the administrative action processes in this section of the NSPM, while ensuring proper analysis and documentation supports all administrative actions
- Monitor examiners' supervision plans and activities for compliance with appropriate resolution and national requirements
- Confirm compliance with agreed-upon corrective action and timeframes and review examiners' recommended alternative actions based upon the level of resolution

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

Exam 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 CAMELS 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.
  - Elevated actions may also be appropriate in the following circumstances
    - The existence of material unsafe or unsound practices in conducting credit union business
    - The credit union poses an abnormal risk to the **NCUSIF**[1]
    - Serious insider abuse involving officials or employees
    - Significant regulatory compliance problems or substantial violations of law
    - Serious problems or weaknesses are not corrected in a timely manner;
    - The credit union's true condition cannot be determined due to inadequate books and records, unreasonable limitations on how, when, or where the examination is conducted, or restrictions on examiner access to personnel, books, and records.
- 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

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

- 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

Last updated November 09, 2021

Types of Administrative Remedies

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

Informal Actions	Formal Actions
• Document of resolution • Regional director letter • Non-published letter of understanding and agreement • Preliminary warning letter	• Published letter of understanding and agreement • 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

Informal Actions

With the exception of a DOR, the **RD**[1] must approve all informal actions.

Formal Actions

Formal actions, also known as enforcement actions, are taken when an event triggers a level of concern requiring immediate attention and/or informal actions have not resolved the core concerns to the NCUA's satisfaction. Unlike most informal actions, formal actions are authorized by statute (and, in some cases, mandated), are generally more severe, and may be disclosed to the public. **OGC**[2] must be consulted on all formal actions and they must be approved as outlined in the NCUA Delegations of Authority. When considering a formal action, consult OGC as early in the process as possible.

Before deciding to take formal administrative action, an examiner and their supervisor must clearly understand the nature of a credit union's problems and why any previous attempts to resolve the problems failed. **Examiners**[3] are responsible for ensuring an administrative record presents a complete, factual, and fully documented history of the credit union's problems and the examiner's concerns about the credit union. Examiners will recommend formal administrative action after consulting with their supervisor. Before proceeding, the supervisor will discuss the action with the Associate Regional Director, who will receive concurrence from the RD. It is critical that the field and region initiate communication early when formal administrative action is recommended.

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

Last updated March 24, 2017

[1]Regional Director

[2]NCUA's Office of General Counsel

[3]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.).

Regional Director Letter

A **RD**[1] letter is used when a credit union has serious and/or persistent problem areas that are not being resolved through field supervision alone. **Examiners**[2] will ensure they fully address the issues through the examination process first, but a letter from the RD is an option to further emphasize the areas of concern. For an example, see the Sample Regional Director letter.

Exam Staff Responsibilities

- Discuss the recommendation for an **RDL**[3] with the supervisor
- Address the primary areas of concern, corrective actions, expectations, and required response(s)
- Be direct, concise, and clear (as a general guideline, **RDLs**[4] should not be longer than two pages)
- Write from the perspective of the RD and with the appropriate official audience in mind
- Direct the credit union's board of directors to respond in writing to the RD, with a copy to the examiner
- Examiners are responsible for all follow-up to ensure a credit union's response is timely and appropriate.
- Indicate the recommendation of an RDL in the Closed Information Questionnaire
- Email the draft RDL to the supervisor for review and approval when initiating the **PSR**[5] process
- 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**[6] mailbox when notifying DOS the PSR is ready for their review.

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[1]Regional Director

[2]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.).

[3]Regional Director letter

[4]Regional Director letter

[5]Pre-release secondary review

[6]Division of Supervision

- If the examiner does not include the required notification for downgrades/upgrades to a CAMELS 3, 4, or 5 in an exam report (as discussed in the NSPM), the examiner will process an RDL through the supervisor (and then follow normal processing through the regional office) to notify a credit union (only occurs under rare circumstances, and must be justified in the Closed Information Questionnaire)
- Use the Acknowledge LUA and CAMELS Downgrade template
- If the NCUA did not participate and the **SSA**[1] has upgraded to a CAMELS 3 or better, but notice of removal of troubled condition cannot be verified, use the Upgrade FISCU from Troubled Condition Status template.
- If the NCUA did not participate but cannot confirm notice was given to a **FISCU**[2], use the Notify FISCU of Troubled Condition template; this letter is used on an exception basis.

Division of Supervision Review

- DOS will review all draft RDLs and prepare them for the RD's signature, and may make minor modifications to an RDL
- If major changes to the content are needed (deleting whole paragraphs, adding new or relevant information, changing the original intended message), DOS will contact the supervisor for concurrence with the changes or will return the draft directly to the supervisor for revision.
- DOS will send the RDL to the board chairperson (and copy the **CEO**[3] as appropriate)
- In special cases, DOS may send the RDL to each board member or the supervisor may determine if delivering the letter in person is appropriate.
- If the RD or DOS decides not to issue an RDL, DOS will discuss the decision with the exam supervisor, who will then discuss it with the examiner

Last updated October 14, 2021

[1]State Supervisory Authority
[2]Federally insured, state-chartered credit union
[3]Chief Executive Officer

Letter of Understanding and Agreement

A **LUA**[1] lists a credit union's specific material problems and the corrective actions needed to resolve them. It demonstrates to the credit union officials the problems that are a major concern to the NCUA and formally asks that officials agree to the listed actions in lieu of the agency taking formal administrative action (assuming it is an unpublished LUA; a published LUA is a formal administrative action). No LUA will have a specific termination date unless the LUA is drafted in conjunction with a newly chartered credit union and not because of significant problems.

An examiner's recommendation to issue an LUA is typically based on an examination, follow-up examination, or onsite supervision contact supported by documentation. **Examiners**[2] will meet with key staff, credit union officials, and the **SSA**[3] (in the case of joint contacts) during the examination or follow-up examination to develop an LUA.

[redacted][4] [redacted][5] [redacted]

[redacted]	[redacted]
• [redacted] • [redacted][6] [redacted]	• [redacted]

[1]Letter of understanding and agreement

[2]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.).

[3]State Supervisory Authority

[4][redacted]

[5][redacted]

[6][redacted]

[redacted]	[redacted]
[redacted] • [redacted][1] [redacted] • [redacted] [redacted]	[redacted] • [redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
  - [redacted]
    - [redacted]
- [redacted]

[redacted]

[1] [redacted]

[redacted]

[redacted][1] [redacted][2] [redacted][3] [redacted][4] [redacted]

[redacted][5] [redacted][6] [redacted][7] [redacted][8] [redacted][9] [redacted]

[redacted]

[redacted]

[redacted][10] [redacted][11] [redacted]

- [redacted]

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[1] [redacted]
[2] [redacted]
[3] [redacted]
[4] [redacted]
[5] [redacted]
[6] [redacted]
[7] [redacted]
[8] [redacted]
[9] [redacted]
[10] [redacted]
[11] [redacted]

- [redacted][1] [redacted][2] [redacted]

[redacted][3] [redacted]

[redacted]

Issue an LUA

Examiners[4] will document all significant concerns and corrective actions outlined in an **LUA**[5] in Issues Management. An LUA will address the most significant concerns identified in the **DOR**[6]; it will not necessarily be an exact duplicate. An item in an LUA, however, must be recorded as a DOR Issue, either at a prior contact or when the LUA is issued, and flow into Issue Management.

LUAs[7] may be either 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. Electronic signatures are acceptable. If an examiner opts to leave an exam open to issue the LUA at the joint conference, they may request a waiver of the 90-day completion requirement, up to 105 total days.

To prepare an LUA, examiners will:

- Obtain supervisor concurrence and document supervisor agreement in the Closed Information Questionnaire, as required by the NSPM
- Discuss the intent and the preliminary content of the LUA during the preliminary meeting with management before signing the LUA

[1] [redacted]
[2] [redacted]
[3] [redacted]
[4] 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.).
[5] Letter of understanding and agreement
[6] Document of Resolution
[7] Letter of understanding and agreement

- Work with their supervisor to notify management that the issuance of an LUA is subject to review by the **RD**[1]
- Draft an LUA and email it to their supervisor when initiating the **PSR**[2] process.

Upon receiving a draft LUA, supervisors will:

- Review the LUA and make a recommendation to either issue it or not
- Notify the appropriate ARD of all LUAs to be issued, regardless of a credit union's asset size
- When notifying **DOS**[3] the PSR is ready for DOS review, forward the draft LUA to the region's DOS mailbox for processing and RD approval

Upon receiving an LUA from a supervisor, DOS will:

- Work with the supervisor and examiner to review the draft LUA in a mutually agreeable timeframe
- Discuss all material changes to the LUA with the field supervisor
- Return the final, approved version of the LUA to the supervisor for delivery to the credit union

To issue the LUA, examiners will:

- Send an electronic copy of the final, approved LUA to credit union officials via ZixMail, before the signing meeting
- Allow officials a minimum of two business days to review the LUA before they sign it
- 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 understood 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

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[1]Regional Director
[2]Pre-release secondary review
[3]Division of Supervision

DOS) for their records. In the case of a **FISCU**[1], the regional office will decide if a third original copy is necessary.

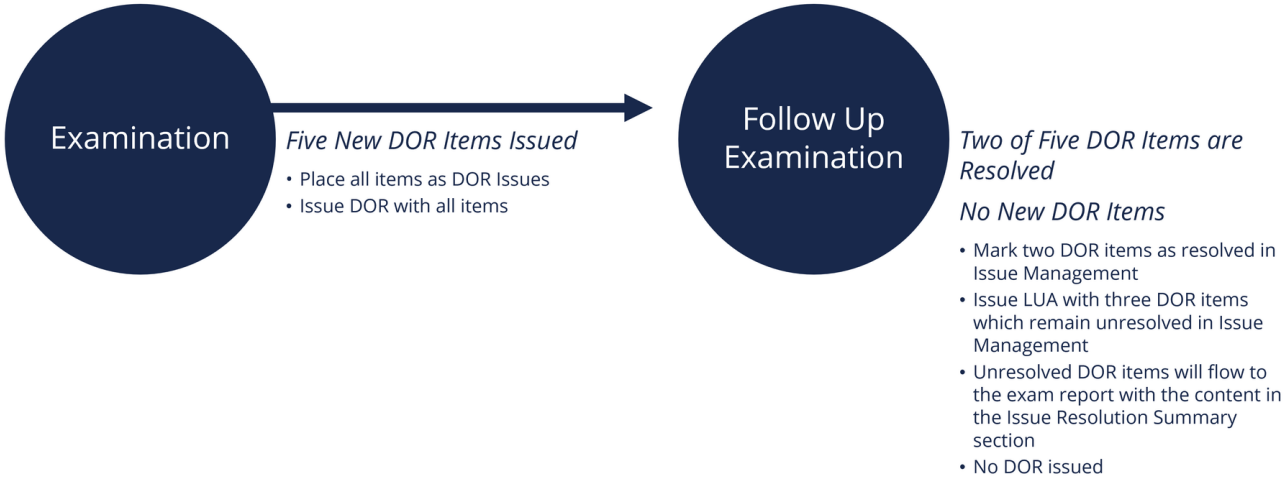
Last updated March 25, 2022

Problem Code Illustration

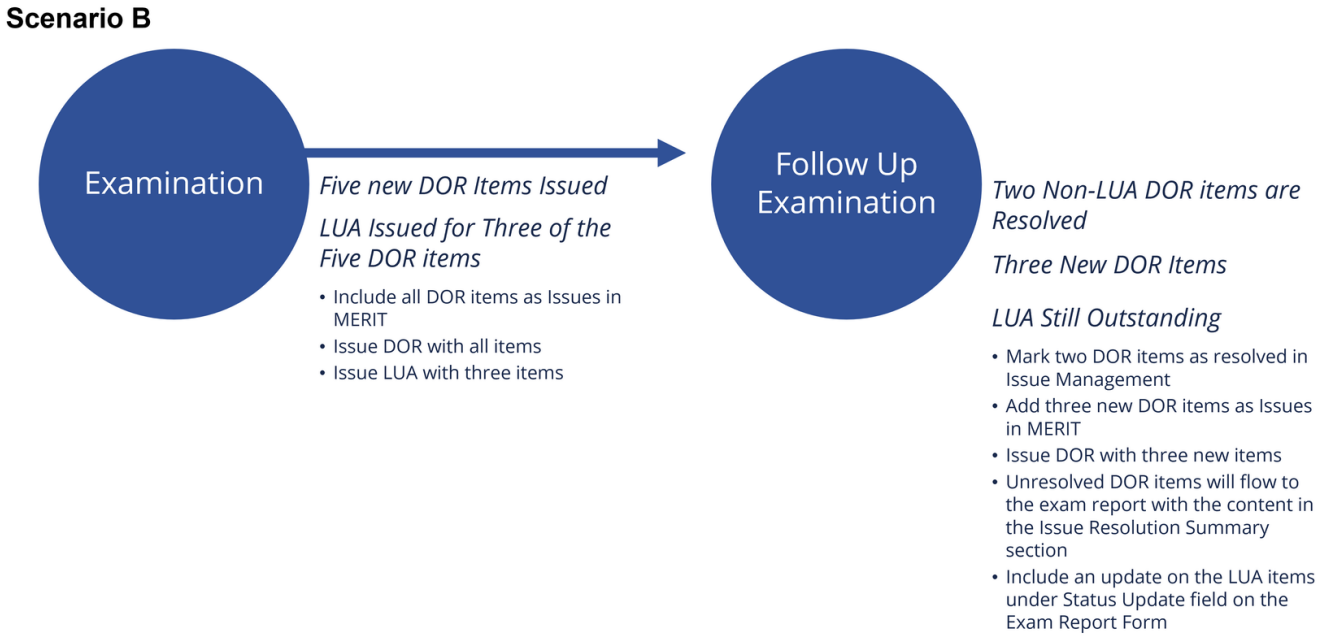
Any item in an **LUA**[2] must be recorded as a **DOR**[3] with the appropriate issues and actions in Issue Management and flow through the DOR either at a prior contact or at the same contact the LUA is issued. The issue should remain unresolved until the problem is resolved in Issue Management, regardless of whether the problem is outlined in the DOR or LUA.

The scenarios below outline the flow of items through the Issue Management, DOR, and LUA:

Scenario A



[1]Federally insured, state-chartered credit union
[2]Letter of understanding and agreement
[3]Document of Resolution



Last updated October 26, 2022

Deliver an LUA

An examiner and their supervisor will deliver an **LUA**[1] to the credit union at a board of directors meeting. The supervisor will give the Associate Regional Director advance notice of when the LUA will be delivered and will attend all joint conferences in which an examiner presents an LUA to credit union officials.

When delivering an LUA, examiners will:

- Arrange for delivery of an LUA as soon as possible, but within 14 business days after receiving the final approved version
- Conduct the meeting and explain the LUA to the board of directors
- Document the supervisor's attendance at the meeting
    - For an **FCU**[2], document in the Closed Information Questionnaire of the examination report.
    - For a **FISCU**[3], document in the Review of State Exam or a memo summarizing the results of the LUA delivery meeting.

[1]Letter of understanding and agreement
[2]Federal credit union
[3]Federally insured, state-chartered credit union

- Collect the signed **LUAs**[1] after the meeting
  - If the officials refuse to sign an LUA, examiners will prepare a report documenting the refusal and recommend a course of action, such as a Preliminary Warning Letter.
- Scan and email the signed LUAs through their supervisor, to the regional **DOS**[2] within three days of the LUA meeting for the **RD**[3]'s signature

1. Deliver a Final, Signed LUA

After the RD signs an LUA, DOS will:

- Send (either through email or regular mail at the credit union's preference) the original, signed LUAs to the credit union with the Regional Director cover letter
- Maintain an electronic copy (scanned copy with signature) on the DOS drive
- Scan and email electronic copies of the signed LUA to the examiner and their supervisor if the LUA was not emailed to the credit union with a courtesy copy to examiner and supervisor
  - For a jointly issued LUA, DOS will email a copy of the signed LUA to the **SSA**[4]

If an LUA is issued and the credit union was downgraded to a CAMELS 4 or 5, a Regional Director letter acknowledging the LUA and downgrade may be appropriate. The RD letter acknowledges the LUA, includes a brief synopsis of the problems, and notes the requirements of NCUA regulation § 701.14, Change in official or senior executive officer in credit unions that are newly chartered or are in troubled condition, regarding the selection of officials and senior management for troubled credit unions.

Last updated October 26, 2022

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 CAMELS ratings and overall risk to the

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[1]Letter of understanding and agreement
[2]Division of Supervision
[3]Regional Director
[4]State Supervisory Authority

NCUSIF[1]. **Examiners**[2] will consider any outstanding administrative actions when planning supervision and assigning the CAMELS ratings. If examiners encounter a credit union with an outstanding administrative action (and associated risk), and the risk is not reflected in the CAMELS 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 CAMELS 3, 4, or 5 credit unions.

When an **LUA**[3] is in place, 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 LUA in the Status Update during each contact
    - List the status of each item as resolved or not resolved. Include comments to support completion status.
- Document recommendations for future action such as continue, modify, terminate the LUA, or proceed with elevated or formal administrative action
- Recommend removal of the LUA during a follow-up examination or regular examination, if the officials have corrected the problem areas
    - The examiner will prepare a draft letter for the **RD**[4]'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

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

[2]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.).

[3]Letter of understanding and agreement

[4]Regional Director

Note: In cases of unforeseen circumstances, such as a disaster or pandemic, **exam staff**[1] should be flexible and reasonable with the updated corrected action timeframes (if applicable) and follow up.

Last updated May 12, 2022

Terminate an LUA

When a credit union meets the specific performance standards outlined in an **LUA**[2], examiners will provide the **RD**[3] with a recommendation to terminate the LUA. **Examiners**[4] will not inform the credit union that the LUA is terminated before RD approval. Examiners may recommend the termination of an LUA only after completing 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 to explain why the RD is removing the LUA
- Forward the letter to the supervisor with an email explanation supporting the recommendation to terminate the LUA

After review, the supervisor will forward the draft letter to **DOS**[5] Mail. DOS will review and process the letter to the credit union for RD signature. When terminating joint **LUAs**[6], the NCUA will consult with the **SSA**[7].

Last updated October 14, 2021

Problem Resolution

If a credit union fails to comply with an **LUA**[8], examiners should discuss the need for additional enforcement action with the **SE**[9]. At a minimum, the

[1]"exam 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.

[2]Letter of understanding and agreement

[3]Regional Director

[4]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.).

[5]Division of Supervision

[6]Letter of understanding and agreement

[7]State Supervisory Authority

[8]Letter of understanding and agreement

[9]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

CAMELS and risk ratings need to reflect management's failure to comply with an LUA.

Last updated January 22, 2018

Preliminary Warning Letter

Examiners[1] will draft a **PWL**[2] when a credit union's problems are serious and/or persistent and a credit union's board is unwilling to sign an **LUA**[3]. A PWL will support formal administrative action such as a published LUA or **C&D**[4] 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 that their supervisor issue a PWL as a result of a regular examination, follow-up examination, or supervision contact. Sample PWLs and a BSA-specific PWL are provided as resources for this section of the NSPM.

A PWL is written from the perspective of the **RD**[5], and includes:

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

[1]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.).
[2]Preliminary Warning Letter
[3]Letter of understanding and agreement
[4]Cease and desist
[5]Regional Director

corrective actions."

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

DOS Responsibilities

- Review **PWLs**[1] for appropriateness and process for RD approval
- Discuss all material changes with the supervisor

Exam Staff Responsibilities

- Obtain supervisor and ARD concurrence for a PWL before preparing a letter
- E-mail draft PWL to the supervisor for review when initiating the **PSR**[2] process
- The supervisor will review the report to ensure the PWL is appropriate and supported and then forward it to their region's **DOS**[3] mailbox when notifying DOS the PSR is ready for DOS review.

Last updated October 14, 2021

Deliver a Preliminary Warning Letter

The supervisor will determine whether to hand-deliver or mail a **PWL**[4] based on the severity of the issues.

For hand-delivered **PWLs**[5]:

- The supervisor will notify **DOS**[6] of the planned meeting date so the letter is dated accordingly (approximately two to three weeks from the date **exam staff**[7] submits the draft letter to DOS)

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[1]Preliminary Warning Letter
[2]Pre-release secondary review
[3]Division of Supervision
[4]Preliminary Warning Letter
[5]Preliminary Warning Letter
[6]Division of Supervision
[7]"exam 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.

- Once the letter is approved and signed by the **RD**[1], 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 send the letter to the board chairperson and copy the **CEO**[2] as appropriate
- In special cases, DOS may send the PWL to each board member.
- 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

Last updated October 14, 2021

Supervision Contacts for a Credit Union with a PWL

As described in the LUA section of the NSPM, the frequency of examinations, follow-up examinations, and onsite supervision contacts is driven by a credit union's CAMELS ratings and overall risk to the **NCUSIF**[3]. **Examiners**[4] will consider any outstanding administrative action when planning supervision and assigning the CAMELS ratings. If an examiner encounters a credit union with an outstanding administrative action (and associated risk) and the risk is not reflected in the CAMELS rating (which drives the frequency of supervision), they will discuss with their supervisor and plan their supervision accordingly.

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[1]Regional Director

[2]Chief Executive Officer

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

[4]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.).

Unless there are extenuating circumstances, and approved by the ARD, supervision of credit unions with outstanding administrative actions will be in line with national policy for CAMELS 3, 4, and 5 credit unions (perform a follow-up examination at least every 120 or 180 days (from completion date to start 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**[1] in the Status Update during each contact
- The status of each item will be listed as resolved or unresolved. Examiners will include comments to support completion status.
- Document recommendations for future action such as continue, modify, terminate the PWL, or proceed with elevated or formal administrative action
- Examiners will refrain from recommending a PWL be reissued, rewritten, or allowed to remain outstanding for long periods (usually no longer than 12 months).
- Recommend removal of the PWL when it is confirmed during a follow-up examination or regular examination the officials have corrected the problem areas and prepare a draft letter for the **RD**[2]'s signature explaining the recommendation
- Recommend escalated administrative action if a credit union has not corrected the problem areas within the timeframes outlined in the PWL
- Escalated administrative action may include a published LUA, Cease and Desist order, civil money penalty, involuntary liquidation, or others. Refer to NCUA Instruction 4820, Enforcement Manual, for processing procedures for civil money penalties, involuntary liquidations, conservatorships, etc.

Last updated March 25, 2022

[1]Preliminary Warning Letter
[2]Regional Director

Terminating a Preliminary Warning Letter

When a credit union meets the specific performance standards outlined in a **PWL**[1], examiners will recommend termination of the PWL. **Examiners**[2] will recommend the termination of a PWL only after they complete an examination or 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 **RD**[3] 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**[4] Mail for review and processing for RD signature.

Last updated October 14, 2021

Civil Money Penalty

The NCUA's authority to impose civil money penalties against federally insured credit unions that do not meet a quarterly Call Report filing deadline is granted under Section 202 of the Federal Credit Union Act (12 U.S.C. § 1782). The NCUA coordinates with **SSAs**[5] to assess **CMPs**[6] against **FISCUs**[7], and, as a matter of courtesy and fairness, takes any late-filing fees assessed by the state into account when assessing a **CMP**[8].

The NCUA announced that all credit unions must file Call Reports electronically in Letter to Credit Unions 13-**CU**[9]-11, *Electronic Filing of Call Reports and Extended Filing Dates for 2014*.

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[1]Preliminary Warning Letter

[2]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.).

[3]Regional Director

[4]Division of Supervision

[5]State Supervisory Authority

[6]Civil money penalty; civil money penalties

[7]Federally insured, state-chartered credit union

[8]Civil money penalty; civil money penalties

[9]Credit union; credit unions

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**[1] 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**[2] 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**[3] director can make a final decision to waive or reduce a Call Report civil money penalty.

Region DOS Director Responsibilities

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

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[1]State Supervisory Authority
[2]NCUA's Office of General Counsel
[3]Office of Examination and Insurance

Regional Director (can delegate to Associate Regional Director)

- Authorize **exam staff**[1] to file an estimated Call Report if they determine that a credit union's Call Report will be delayed more than 14 days beyond the regulatory limit established by the NCUA
  - The **RD**[2] must notify E&I when exercising this authority.

Exam Staff Responsibilities

- Notify the regional office of any known issues or pertinent history when they receive notification that a credit union has missed the Call Report deadline
- If authorized in advance by a RD, **ARDO**[3], or **ARDP**[4], file an estimated Call Report on behalf of a credit union
  - Staff must follow any directions provided by E&I for filing an estimated Call Report.

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

Last updated January 27, 2016

Civil Money Penalty Waiver

The **E&I**[5] Director has the delegated authority to reduce or waive a **CMP**[6] issued due to late filing of a Call Report. The NCUA may elect not to assess a penalty if a credit union files late due to extenuating circumstances such as:

- "Acts of God" such as:
  - A natural disaster or weather event that impairs a credit union's operation

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[1]"exam 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.

[2]Regional Director

[3]Associate Regional Director of Operations

[4]Associate Regional Director of Programs

[5]Office of Examination and Insurance

[6]Civil money penalty; civil money penalties

  - A power failure, internet failure, or failure of a credit union's core-processing system immediately before 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 before the deadline (only acceptable if a credit union is too small to have back-up personnel)
- Robbery of a credit union that impairs the credit union's ability to file on time
- A CUOnline filing problem unique to a credit union, not including an error or warning that a filer does not know how to clear or answer (must be supported by a help desk ticket time/date stamped near, but before, the filing deadline)
- Credit union, **SSA**[1], or the NCUA accidentally unsubmit a Call Report after successfully submitting it before the deadline
- Merger with another credit union
- Liquidation or conservatorship

Last updated January 27, 2016

Status Update

Exam staff will use the Status Update template to document a credit union's compliance with outstanding administrative actions (**LUA**[2], **PWL**[3], etc.) and net worth restoration plans. For each document, **exam staff**[4] should provide a separate Status Update. For example, if a credit union has an outstanding LUA and **NWRP**[5], exam staff will create two Status Update templates, one for each of the outstanding documents.

At a minimum, exam staff will include each outstanding corrective action or goal and the most current status of each in the Status Update.

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[1]State Supervisory Authority

[2]Letter of understanding and agreement

[3]Preliminary Warning Letter

[4]"exam 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.

[5]Net Worth Restoration Plan(s)

When upgrading a credit union from a CAMELS 4 or 5, or removing an LUA, exam staff must complete the status report.

Last updated January 22, 2018

Special Assistance Cases

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

Last updated July 29, 2015

Control Reports

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

E&I Control Reports

E&I[1] will routinely request reports from the regions and may periodically request a sampling of issued administrative actions for quality control purposes as part of an ongoing quality assurance process.

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

Regional Control Reports

The region is responsible for maintaining record of all informal and formal administrative actions including, but not limited to, issued RDLs, LUAs and PWLs. The report will include administrative actions newly issued, currently outstanding (with the exception of **RD**[2] letters), and those canceled (when applicable) since the last report. The region will periodically evaluate the trends, appropriateness and effectiveness of administrative actions.[3]

[1]Office of Examination and Insurance

[2]Regional Director

[3]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 RD letters associated with an examination or supervision contact report and part of the administrative record.

Last updated July 29, 2015

Administrative Remedies Templates

Regional Director Communications

- Regional Director Letter Sample

Troubled Condition Status

- Notify **FISCU**[1] of Troubled Condition
- Upgrade FISCU from Troubled Condition Status

Letter of Understanding and Agreement

- Acknowledge **LUA**[2] and CAMELS Downgrade
- LUA Addendum
- LUA Cover Letter
- Non-published LUA
- Remove LUA

Preliminary Warning Letter

- **PWL**[3] Sample
- **BSA**[4]-Specific PWL
- PWL Removal Samples

Last updated July 29, 2015

[1]Federally insured, state-chartered credit union
[2]Letter of understanding and agreement
[3]Preliminary Warning Letter
[4]Bank Secrecy Act

Audits and Recordkeeping

Supervisory committee audits are required under part 715 or part 741 of the NCUA's regulations. They are a critical tool used to evaluate the integrity and fairness of the financial statements. 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.

Last updated August 02, 2021

Audit Report Review

Exam staff are responsible for reviewing a credit union's Profile each quarter during the Call Report, RADAR, or RATE review to determine whether the credit union has received a new audit that fulfills the requirements of part 715 or part 741 of the NCUA's regulations. If the Profile indicates a new audit has been completed, **exam staff**[1] will request a copy of the audit within 10 business days of reviewing the Profile. Upon receipt of the audit report, exam staff will verify that the audit type and auditor's name is correct.

Obtaining an Audit Report

For audits performed by the **Supervisory Committee**, exam staff must obtain the audit report directly from the supervisory committee.

For audits conducted by **external auditors**, examiners must obtain a copy of the audit report directly from the external auditor.

Exam staff contacts the supervisory committee first to determine its preference for requesting the report from the external auditor. Exam staff determines whether the supervisory committee would prefer to make the request, the audit firm requires the request come from the credit union, or if it is

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[1]"exam 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.

acceptable for exam staff to contact the auditor directly to request the report. An exception to this might be when an existing arrangement between the credit union, exam staff, and the auditor, or a relationship exists between the exam staff and the auditor.

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

In some cases, an external auditor will not provide an audit report directly to the examiner or use RIVIO, but is willing to confirm authenticity of the report on a joint communication. In this circumstance, the following steps are acceptable:

1. The external auditor must email the final audit report to the Supervisory Committee chair as an attachment.
2. The Supervisory Committee chair must forward the email, with attachment, back to the external auditor and copy the NCUA exam staff. In the email, the Supervisory Committee chair must acknowledge receipt of the report and request confirmation that the attached report is authentic and unaltered.
3. The external auditor must respond to the Supervisory Committee chair's email, keeping the audit report attached, and copy the NCUA exam staff to confirm that the report received in the forward has been reviewed and is authentic and unaltered.

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

Reviewing the Audit Report

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

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

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

Documenting the Audit Report

Exam staff will document they have reviewed the audit report in the credit union's **RADAR**[1] or **RATE**[2] during the scheduled quarterly review cycle. If the requested report is received after the quarterly review cycle closes, exam staff should document their review in the next scheduled RADAR or RATE review cycle. If an audit report relays material concerns that require an immediate onsite contact, examiners should note the concerns in RADAR or RATE and contact their supervisor to schedule an onsite contact.

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

Last updated August 03, 2021

Audit Workpaper Review

Per § 715.10 of the NCUA's regulations, the supervisory committee is responsible for preparing and maintaining, or making available, a complete set of original working papers supporting each supervisory committee audit. The supervisory committee will, upon request, provide NCUA staff unconditional

[1]Risk Assessment and Data Analytics Rating
[2]Risk Analysis and Trending Evaluation

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.

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

If the licensed independent accountant or audit firm denies access to the work papers, **exam staff**[1] reports the situation to the supervisory committee chairman and asks for assistance in resolving the problem. If unsuccessful, exam staff will contact their supervisor for guidance. Exam staff should never sign any document or release to gain access to the work papers unless **OGC**[2] has reviewed the release and advises signature. **E&I**[3] can assist exam staff and supervisors in obtaining OGC review in a timely fashion. Exam staff and supervisors coordinate any assistance from E&I and OGC through **DOS**[4].

In the event the audit firm is located outside the geographic area of the credit union and exam staff determines it would be advantageous for another region and/or group to review the audit work papers at the firm's office, exam staff will request assistance from another group or region through the supervisor. Exam staff 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**[5].

Audits by Licensed Independent Accountants

Exam staff cannot take independent action if 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 **RD**[6] approval and E&I concurrence. The supervisor will evaluate the seriousness of the deficiency and if it is sufficient to warrant recommending rejection of the audit, exam staff or the supervisor will contact DOS and proceed in accordance with NCUA

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[1]"exam 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.

[2]NCUA's Office of General Counsel

[3]Office of Examination and Insurance

[4]Division of Supervision

[5]Examiner-in-charge

[6]Regional Director

Instruction 4016.01, Obtaining Concurrence and Advancing an Assertion That an Opinion Audit or Agreed-Upon Procedures are Unacceptable in Meeting NCUA Audit Regulations.

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

Last updated August 02, 2021

Unacceptable Audits and Member Account Verifications

Exam staff will consider an audit or verification unacceptable and develop plans of action if they determine:

- Material parts of the audit or verification were not performed
- 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

Audits Conducted by Supervisory Committee or Other External Auditor

If **exam staff**[1] discovers material deficiencies in a supervisory committee auditor member account verifications conducted by the supervisory committee or an external auditor that is not a licensed independent auditor or certified public accountant, exam staff will:

[1]"exam 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.

- Notify their supervisor
- Determine if the deficiencies can be cured promptly (if not, discuss alternatives with their supervisor)
- Rate transaction risk as high
- Prepare a **DOR**[1] that:
    - Provides a reasonable time period for the supervisory committee to correct the deficiencies, not longer than 120 days from the completion date of the exam
    - Requires the supervisory committee to provide a monthly status report of their progress to the examiner
- Complete a follow-up supervision contact within 60 days of the DOR due date
    - The supervisor must approve any extension beyond 60 days with notification to the **ARDP**[2]
    - Exam staff must document any extensions in the Closed Information Questionnaire

Recurring deficiencies for audit and member account verifications are grounds to proceed to administrative actions. Exam staff can consult with their supervisor to develop a more stringent supervision plan if needed, including imposing the requirements of §§ 715.11 and 715.12 of the NCUA's regulations. Additionally, the Management component and CAMELS composite ratings should reflect management's recurring non-compliance with this critical internal control area.

Last updated August 03, 2021

Significant Recordkeeping Concerns

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

[1]Document of Resolution
[2]Associate Regional Director of Programs

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

When an examination or supervision contact reveals significant recordkeeping concerns, **exam staff**[1] will:

- Notify their supervisor
- Review all 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
- Prepare a detailed **DOR**[2] that:
  - Provides a resolution date of 180 days or less (for **FISCUs**[3], also provide the DOR to the **SSA**[4] before completion of the contact)
  - Requires the supervisory committee/designated person to provide monthly status reports electronically or by phone
  - Documents the progress made to remedy the recordkeeping problems
- Maintain a Supervision Chronology until the recordkeeping concerns are resolved
- Start an onsite follow-up supervision contact within 90 days of the NCUA's last contact completion date and an onsite supervision contact every 90 days thereafter, until all problems are resolved
  - The supervisor must approve any extension beyond 90 days in writing and notify the ARD and **DOS**[5]
  - Exam staff must document any extensions and supervisor approval in the Closed Information Questionnaire

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[1]"exam 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.

[2]Document of Resolution

[3]Federally insured, state-chartered credit union

[4]State Supervisory Authority

[5]Division of Supervision

Incomplete Bank Reconcilements or Over 60 Days in Arrears

If the bank or corporate reconcilements are incomplete (unreconciled) or in arrears greater than 60 calendar days, in addition to the steps outlined in the previous section, exam staff 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 supervisory committee in this process
- Consider requiring an outside independent accountant to bring reconcilements current, especially if the supervisory committee is not active or does not possess the skills to adequately overseethe bank reconcilement process

Records Materially in Arrears or Significant Unreconciled Differences

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

- Extend the examination/supervision contact up to 30 calendar days if the records cannot be brought current during the examination. If this option is taken, exam staff will note the reasons why the examination/contact was extended and the supervisor's concurrence in the Confidential Section, or
- Complete the examination using the most current data available. If this option is taken, exam staff will document in Closed Information Questionnaire whether officials agreed to the correct the recordkeeping concerns.

If the recordkeeping problems are serious and persistent as defined in § 715.12(c) of the NCUA regulations, the **EIC**[1] may compel a **FCU**[2] to obtain a

[1]Examiner-in-charge
[2]Federal credit union

financial statement audit performed in accordance with **GAAS**[1] 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 a financial statement audit is necessary, the supervisor will notify the ARD. **RD**[2] approval is required to compel a credit union to obtain a financial statement audit if one is not required by §§ 715.5 or 715.6 of the NCUA's regulations.

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

Last updated August 03, 2021

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**[3] or **ARDO**[4] as appropriate and a decision will be made regarding the NCUA notifying the surety company of a potential bond claim.

During contacts, examiners should:

- Determine whether a bond claim is outstanding, established as a disclosure item (footnote to the financial statements) or a receivable, remains on the books as a loan, other account, or a disclosure, or has been written off
- Determine whether the surety company has committed to paying the claim; and, if so, the amount of the commitment
- Direct the credit union to write off any claims, or portions of claims, considered losses even if this will cause a deficit or insolvency. In evaluating the collectability of claims, examiners will consider:
    - Surety companies do not pay for lost interest or lost opportunity income
    - The credit union must have incurred a loss for a valid claim to exist

[1]Generally accepted auditing standards
[2]Regional Director
[3]Associate Regional Director of Programs
[4]Associate Regional Director of Operations

- An examiner's adjusting journal entries 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[1] 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.

Last updated July 29, 2015

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[2] 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.

Last updated July 29, 2015

[1]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.).
[2]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.).

BSA Supervision

The FCUA § 206(q) (12 USC 1786(q)) directs the NCUA to prescribe regulations that require **FICUs**[1] to establish and maintain procedures reasonably designed to assure and monitor compliance with the **BSA**[2]. NCUA regulations part 748 (12 CFR 748) establish the compliance program responsibilities a **FICU**[3] must adopt and implement. Collectively, these procedures form the basis for a FICU's BSA compliance and **AML**[4]/CFT program (compliance program).

Besides the compliance program requirements, FICUs must comply with other program, reporting, and recordkeeping requirements; special information sharing procedures; and special standards of diligence, prohibitions, and special measures set forth in 31 CFR Chapter X Part 1020. Although the rules for "banks" (which include FICUs) are set forth in Part 1020, many of the specific requirements cross-reference to 31 CFR Chapter X Part 1010.

Per § 206(q) of the FCUA, each FICU examination must include a review of the procedures established and maintained as part of the FICU's compliance program, and the exam report must describe any problem(s) with the compliance program. This section also requires the NCUA to issue a C&D order for non-compliance in certain circumstances.

In August 2020, the NCUA and the other federal banking agencies issued the "Joint Statement on Enforcement of Bank Secrecy Act/Anti-Money Laundering Requirements" to enhance transparency regarding how they evaluate enforcement actions that are required by statute when financial institutions fail to meet BSA/AML obligations. A **C&D**[5] order is required if a FICU has failed to establish and maintain procedures reasonably designed to assure and monitor compliance with the BSA or has failed to correct any problem with these procedures previously reported by the NCUA to the FICU.

Note: Besides ordering a cessation of certain activities, a C&D order may require affirmative corrective action, such as engaging a third-party to complete an independent test or providing appropriate BSA training to staff.

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[1]Federally insured credit union
[2]Bank Secrecy Act
[3]Federally insured credit union
[4]Anti-money laundering
[5]Cease and desist

During exams and supervision contacts that include a BSA review component, NCUA examiners:

- Assess the adequacy of the FICU's compliance program, relative to its risk profile
- Assess the FICU's compliance with applicable BSA regulatory requirements, including reporting and recordkeeping requirements
- Determine whether the FICU has developed and implemented adequate processes to identify, measure, monitor, and control the risks associated with **ML/TF**[1] and other illicit financial activities

The NCUA has enforcement authority for the **FISCUs**[2] it examines but generally relies on **SSAs**[3] to review compliance with the BSA during **FISCU**[4] examinations (see FISCU BSA Reviews for more information).

Last updated February 2, 2023

BSA Compliance

Each **FICU**[5] must have a compliance program that is reasonably designed to assure and monitor compliance with the requirements of the **BSA**[6] and with the related regulations issued by the NCUA and **FinCEN**[7]. As required by NCUA regulations § 748.2, Procedures for monitoring Bank Secrecy Act (BSA) compliance , a FICU's compliance program must be written, approved by the board of directors, and reflected in the board minutes.

FinCEN is a bureau of the U.S. Department of the Treasury. FinCEN's mission is to safeguard the financial system from illicit use, combat ML, and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

A FICU's compliance program must provide for all the following required components, including **CIP**[8], **CDD**[9], and beneficial ownership (if applicable):

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[1]Money laundering and terrorist financing
[2]Federally insured, state-chartered credit union
[3]State Supervisory Authority
[4]Federally insured, state-chartered credit union
[5]Federally insured credit union
[6]Bank Secrecy Act
[7]Financial Crimes Enforcement Network
[8]Customer identification program
[9]Customer due diligence

- A system of internal controls to assure ongoing compliance
- Independent testing for compliance to be conducted by credit union personnel or outside parties
- A designated individual responsible for coordinating and monitoring day-to-day compliance
- Training for appropriate personnel

A FICU's BSA officer must have the appropriate authority, independence, and access to resources to administer an adequate compliance program that is commensurate with the FICU's **ML/TF**[1] and other illicit financial activity risk profile.

Additionally, USA PATRIOT Act § 326, NCUA regulation § 748.2(b)(2), and 31 CFR 1020.220 require a FICU's compliance program to include a CIP with:

- Procedures for opening an account that specify the identifying information to be obtained from each member
- Risk-based procedures that enable the FICU to form a reasonable belief that it knows the true identity of each member

Under 31 CFR 1020.210(a)(2)(v), a FICU's compliance program must include, but is not limited to, appropriate risk-based CDD procedures for conducting:

- Due diligence at account opening to understand the nature and purpose of member relationships and to develop member risk profiles
- Ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update member information, including information regarding the beneficial owners of legal entity customers (as defined in 31 CFR 1010.230)

A "legal entity customer" (member) means a corporation, limited liability company, or other entity that is created by the filing of a public document with a Secretary of State or similar office, a general partnership, and any similar entity formed under the laws of a foreign jurisdiction that opens an account.

31 CFR 1010.230 requires **FICUs**[2] to establish and maintain written procedures that are reasonably designed to identify and verify beneficial owners of legal entity members for each new legal entity account opened on or after

[1]Money laundering and terrorist financing
[2]Federally insured credit union

May 11, 2018, and to include such procedures in their compliance programs. A "beneficial owner" is each individual who owns 25 percent or more of the equity interests of a legal entity member, and a single individual with significant responsibility to control, manage, or direct a legal entity member.

See 31 CFR 1010.230 for exclusions from the definition of "legal entity customer" and exempted accounts.

FICU transactions and accounts are also subject to numerous reporting and recordkeeping requirements.

Last updated February 2, 2023

Risk-Focused BSA Reviews

The scope of a **BSA**[1] review during an exam (RFE or **SCUEP**[2]) depends on a **FICU**[3]'s **ML/TF**[4] and other illicit financial activity risk profile; the quality of risk management processes to identify, measure, monitor, and control risks; and the adequacy of policies and procedures established and implemented to comply with BSA regulatory requirements.

Examiners[5] must perform some risk-focused testing during each assessment of BSA compliance, which may include transaction testing or analytical reviews. See the **FFIEC**[6] BSA/**AML**[7] Examination Manual for additional information about examination and testing procedures and risk-focused BSA/AML supervision.

> As explained in the FFIEC BSA/AML Examination Manual, testing may focus on any of the BSA regulatory requirements and may address different areas of the FICU's compliance program, but testing may not be necessary for every regulation or BSA area examined

Testing assists an examiner with evaluating:

[1]Bank Secrecy Act
[2]Small Credit Union Examination Program
[3]Federally insured credit union
[4]Money laundering and terrorist financing
[5]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.).
[6]Federal Financial Institutions Examination Council
[7]Anti-money laundering

- The adequacy of the FICU's compliance program, relative to its ML/TF risk profile
- The FICU's compliance with BSA regulatory requirements
- Implementation of the FICU's BSA policies, procedures, and processes
- Controls and information technology sources, systems, and processes used for BSA compliance and AML/CFT monitoring

Examiners must document the results of the BSA review, including the adequacy of the FICU's overall compliance program and of each compliance program component, in the Execution Results section of BSA-related scope tasks in MERIT. Such documentation will include Work Performed, Results of Review, and Time Spent. Examiners may also use supporting workpapers, as needed, to fully document the BSA review.

Last updated February 2, 2023

Confidentiality

SARs[1] contain unsubstantiated allegations of possible criminal activity and information regarding activities deemed suspicious by the filing **FICU**[2]. NCUA regulation § 748.1(c)(5) outlines a FICU's responsibilities for maintaining the confidentiality of SARs.

No current or former examiner with knowledge that such report was made may disclose to any person involved in the transaction that the transaction has been reported, other than as necessary to fulfill their official duties (31 USC 5318(g)(2)(A)(ii)). See also FinCEN Final Rule; **FinCEN**[3] Advisory FIN-2010-A014; and the "Suspicious Activity Reporting" section of the **FFIEC**[4] **BSA**[5]/**AML**[6] Examination Manual

Last updated February 2, 2023

[1]Suspicious Activity Report
[2]Federally insured credit union
[3]Financial Crimes Enforcement Network
[4]Federal Financial Institutions Examination Council
[5]Bank Secrecy Act
[6]Anti-money laundering

BSA Violations

BSA[1] violations may be significant or nonsignificant. In the report to credit union officials, examiners should use the NCUA citation over the equivalent BSA or Treasury/**FinCEN**[2] citation where possible. For example, if a **FICU**[3] does not have a designated individual responsible for coordinating and monitoring compliance with the BSA, the examiner should cite NCUA regulation § 748.2(c)(3) in the report to officials, rather than 31 CFR 1020.210(b)(2)(iii).

For CCVs, the Choose Section/Code dropdown in the MERIT Issue Details Form will show both citations (NCUA regulations part 748 and BSA or Treasury/FinCEN regulations) when overlap exists.

Nonsignificant BSA Violations

Nonsignificant BSA violations are isolated or technical deficiencies within what is otherwise an overall, effective compliance program.

These limited instances of noncompliance generally do not prompt serious regulatory concern or reflect negatively on management's oversight of, or commitment to, BSA compliance, unless the violation was caused by reckless or willful conduct. Typically, nonsignificant violations and deficiencies do not lead to enforcement action and do not warrant a **DOR**[4] or other administrative remedy. See Administrative Remedies section for details. Credit union management can generally correct nonsignificant violations during the normal course of business. An examiner will address these violations by creating an Examiner's Finding or by discussing them in other parts of the report (such as Supplementary Facts). An examiner may also discuss nonsignificant BSA violations in the Examination Overview section of the exam report, as appropriate.

Administrative remedies are a broad range of actions that include informal actions such as DORs, RDLs, unpublished LUAs, and PWLs, and formal actions such as published LUAs and C&D orders.

While nonsignificant BSA violations are generally isolated or technical in nature, multiple technical violations throughout departments or divisions may

[1]Bank Secrecy Act
[2]Financial Crimes Enforcement Network
[3]Federally insured credit union
[4]Document of Resolution

indicate systemic weaknesses indicative of a larger problem that rises to the level of a significant violation.

Significant BSA Violations

Significant BSA compliance violations are substantive deficiencies that result from the FICU's failure to establish and maintain a reasonably designed compliance program, as required in FCUA § 206(q) (12 USC 1786(q)). Such failure exposes the FICU to an unacceptable level of **ML/TF**[1] and other illicit financial activity risk.

Last updated February 2, 2023

CCV in Issue Details

. **Examiners**[2] must accurately report both significant and nonsignificant **BSA**[3] violations as a "**CCV**[4]" in the Issue Type field of the MERIT Issue Details Form, using the correct regulation ("**BSA-S**[5]" or "BSA," respectively) to identify the violations.

When multiple violations fall under the same specific regulatory citation, examiners must cite the specific citation only once for a given **FICU**[6]. For example, one CCV entry would cover deficiencies in the filtering parameters used to detect and alert to suspicious activity, weak procedural guidance, and an outdated BSA/**AML**[7] risk assessment, citing 12 CFR 748.2(c)(1), no or inadequate system of internal controls.

Last updated February 2, 2023

[1]Money laundering and terrorist financing

[2]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.).

[3]Bank Secrecy Act

[4]Consumer Compliance Violations

[5]Significant BSA violation

[6]Federally insured credit union

[7]Anti-money laundering

Violation Resolution in FCUs

Nonsignificant BSA Violations

For any nonsignificant **BSA**[1] violations addressed in Examiner's Findings or other (non-**DOR**[2]) sections of the report, resolution would generally be determined during the next exam. However, if the **FCU**[3] had significant BSA violations as well, examiners should review resolution of the nonsignificant violations as part of any follow-up contacts or exams.

Significant BSA Violations

Corrected During Exam

FCUs[4] are encouraged to resolve any significant BSA deficiencies during the current exam. When a violation is corrected before the closure of the exam, the significant violation can be considered simultaneously identified and resolved.

In this case, the examiner should enter "Reportable (already addressed)" in the MERIT Disposition field for both the DOR and **CCV**[5] and enter "Corrected" in the Management Response field for the CCV. A Disposition of "Reportable (already addressed)" will ensure the issue is included in the DOR provided to the FCU but will not require follow-up or "Actions" in MERIT. Significant BSA violations corrected during an exam must appear in the "Issues Corrected During This Examination" section of the final report to credit union officials to create an administrative record.

Repeat Violations

When significant violations were resolved (during the prior examination or at some later point) but recur by the next consecutive examination, the agreed-upon corrective actions and/or the actions taken by FCU management may not have addressed sufficiently the root cause of the problem.

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[1]Bank Secrecy Act
[2]Document of Resolution
[3]Federal credit union
[4]Federal credit union
[5]Consumer Compliance Violations

Not Corrected During Exam

For significant BSA violations that cannot be resolved during the exam, examiners must supervise management's progress to determine whether the violations are resolved in accordance with agreed-upon corrective actions and timeframes. The FCU should also implement adequate controls to prevent similar violations from occurring in the future.

Some significant BSA violations may take longer to resolve fully, . Agreed-upon timeframes in **DORs**[1] should be reasonable and realistic, given the BSA concern identified and the time it would generally take to correct.

Acceptable Substantial Progress

During follow-up supervision contacts or exams, examiners should review whether acceptable substantial progress is being made to resolve the significant BSA violation(s), given all relevant facts and circumstances.

In determining whether a credit union has made acceptable substantial progress, examiners will review the actions taken to date and use judgment.

A follow-up contact may be performed onsite or offsite, whichever is more effective and efficient, given the significant BSA violation(s) cited and the degree of review necessary to determine whether acceptable substantial progress is being made.

Examiners[2] should start each follow-up contact or exam with sufficient time to adequately assess the progress made on the agreed-upon corrective actions and to draft and process any pending administrative action, if necessary.

According to the Joint Statement on Enforcement of Bank Secrecy Act/Anti-Money Laundering Requirements: "The Agencies also recognize that certain types of problems with an institution's BSA/**AML**[3] compliance program may not be fully correctable before the next examination or within the planned timeframes for corrective actions due to unanticipated or other issues. Remedial actions involving multiple lines of business within an institution or the adoption or conversion of automated systems may take more time to implement than

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[1]Document of Resolution

[2]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.).

[3]Anti-money laundering

initially anticipated. In these types of situations, a **C&D**[1] order is not required, provided the Agency determines that the institution has made acceptable substantial progress toward correcting the problem."

Mandatory C&D Orders

When credit union management has not made acceptable substantial progress in correcting significant BSA violation(s), the agreed-upon timeframe for resolution has passed, and no unforeseen external or uncontrollable events have delayed compliance with written agreements to resolve the significant BSA violation(s), further administrative action in the form of a C&D order is required. Besides notifying the field supervisor, concurrence from the regional office and **OGC**[2] and consultation with **E&I**[3] are required before issuing a C&D order. A C&D order is mandatory under the FCUA § 206(q)(3)(B) (12 USC 1786(q)(3)(B)) and the Joint Statement on Enforcement of Bank Secrecy Act/Anti-Money Laundering Requirements when all of the following are true:

- An FCU fails to correct a significant BSA violation that was reported to the board of directors and senior management in a DOR and, when warranted, in another administrative remedy (such as an RDL, LUA, or PWL).
- Acceptable substantial progress toward correcting the significant violation was not made by the agreed-upon completion date and no unforeseen external or uncontrollable events have delayed compliance with written agreements to resolve the significant BSA violation(s).

CMPs may also be assessed in conjunction with another administrative action. An examiner should consult with the field supervisor if **CMPs**[4] are believed necessary. **Regional office**[5] concurrence and consultation with OGC and E&I are required before assessing CMPs.

Last updated February 2, 2023

[1]Cease and desist
[2]NCUA's Office of General Counsel
[3]Office of Examination and Insurance
[4]Civil money penalty; civil money penalties
[5]"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.

FISCU BSA Reviews

NCUA and SSA Roles

In general, the NCUA relies on **SSAs**[1] to review **BSA**[2] compliance during **FISCU**[3] examinations. However, **RDs**[4] may reach agreements with SSAs for NCUA examiners to review BSA compliance at **FISCUs**[5]; these agreements will vary based on the **SSA**[6]. The NCUA has BSA enforcement authority for those FISCUs examined by NCUA examiners. "Examined" refers specifically to Contact Type 1 – Examination in MERIT (specifically, 1.6 FISCU **SCUEP**[7], 1.7 FISCU RFE, and 1.8 FISCU RFE **ONES**[8]).

If, during another type of contact, an NCUA examiner identifies BSA concerns not identified by the state examiner or significant BSA violations not resolved within a reasonable timeframe, the scope should be expanded to include a review of BSA compliance. If necessary, the NCUA examiner should also follow up to assess progress and confirm resolution.

Reviews of SSA Exams

If a state exam report lacks adequate agreements for corrective action, or the state examiner is not adequately addressing the significant BSA violation(s), the NCUA examiner will recommend the field supervisor (or **RD**[9]) communicate with the SSA. The examiner will document the outcome of such communications and the actions taken in a memo to **DOS**[10].

Joint Exams or Supervision Contacts

During a joint exam, either a state examiner or an NCUA examiner may review BSA. If a state examiner performs the BSA review, the NCUA examiner must review the state examiner's work. If the review performed by the state exam-

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[1]State Supervisory Authority
[2]Bank Secrecy Act
[3]Federally insured, state-chartered credit union
[4]Regional Director
[5]Federally insured, state-chartered credit union
[6]State Supervisory Authority
[7]Small Credit Union Examination Program
[8]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.
[9]Regional Director
[10]Division of Supervision

iner is insufficient, the NCUA examiner should amend the review and document the reason for doing so .

The NCUA examiner must also determine whether:

- The **CCV**[1] includes the appropriate regulation ("BSA" or "**BSA-S**[2]") and specific citation for each violation.
- The required BSA scope steps are completed.
- The CCV and BSA scope steps are included in MERIT Contact Type 1 – Examination (1.6, 1.7, or 1.8) or Contact Type 2 – Supervision Onsite (2.9 or 2.10).
- The report includes adequate agreements for corrective action.

Violation Resolution in FISCUs

Although SSAs are responsible for daily supervision of FISCUs, NCUA examiners work with SSAs to remain aware of FISCUs' progress in resolving significant BSA violations. For significant BSA violations that have not been resolved in a reasonable timeframe, examiners or field supervisors should follow up with the respective SSA to assess the status of corrective actions and determine whether further administrative action is necessary. In rare instances, examiners may need to contact the FISCU directly to assess resolution status.

Last updated February 2, 2023

BSA Reporting and Quality Control

Other responsibilities for **BSA**[3]-related reporting and consultation include:

Regional DOS

- Monthly:
  - Complete a quality control review of all BSA violations reported, both significant and nonsignificant, during the prior month and work with examiners and field supervisors to make necessary corrections (for example, incorrect citations, duplicate citations, and BSA violations identified as significant that should have been designated

[1]Consumer Compliance Violations
[2]Significant BSA violation
[3]Bank Secrecy Act

nonsignificant or vice versa).

- By month end, ensure follow-up contacts or exams have been closed for all **FCUs**[1] with significant BSA violations still outstanding
- Within seven business days following the end of a month, post a memo to the relevant folder , confirming that the quality control review process was completed and identifying whether any administrative actions beyond **DORs**[2] were taken. Include in the administrative actions list whether any **FICUs**[3] with significant BSA issues were conserved.

- Quarterly:
  - Provide field supervisors and district examiners with the report from **E&I**[4] of significant BSA violations outstanding to report progress and the status of corrective action(s).
  - Provide status updates to E&I for significant BSA violations outstanding.
- Ad Hoc:
  - Provide **OGC**[5] and E&I with a draft of an **LUA**[6] considered for publication two business days before delivery of the LUA to credit union officials for signature.
  - Obtain concurrence from OGC and consult with E&I before issuing a **C&D**[7] order.
  - Consult with OGC and E&I before assessing **CMPs**[8].

E&I

- Monthly:
  - Review memos from the regions regarding BSA violation quality control reviews, BSA-related administrative actions (beyond DORs) issued, and whether any FICUs with significant BSA issues were conserved that month.

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[1]Federal credit union
[2]Document of Resolution
[3]Federally insured credit union
[4]Office of Examination and Insurance
[5]NCUA's Office of General Counsel
[6]Letter of understanding and agreement
[7]Cease and desist
[8]Civil money penalty; civil money penalties

- Quarterly:
  - Review BSA violations to supplement the regions' quality control reviews and send a list of any incorrect or duplicate violations not already corrected to regional **DOS**[1].
- Annually:

Last updated February 2, 2023

[1]Division of Supervision

Change of Officials for Troubled and Newly Chartered Credit Unions

Under § 701.14 of the NCUA reguations, a federally insured credit union that meets certain conditions (see the Affected Credit Unions section of the NSPM) must obtain the **RD**[1]'s approval for personnel changes (board of directors, credit or Supervisory Committee, or senior executive officer) at least 30 days before the effective date of the change, or within 48 hours of election at an annual membership meeting. For state-chartered federally insured credit unions, the NCUA will consult with the appropriate **SSA**[2] before making a final decision.

The regulation requires written notice from the credit union and RD approval before an individual can begin service at the credit union. The only exceptions to this requirement are if a credit union requests, and the RD 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 RD. If a RD grants a prior notice waiver or in the case of a new elected director or credit committee member, the RD can still deny the individual and will have 30 days after receipt of the notice and information.

Last updated July 29, 2015

DOS Responsibilities

Initial Notice Procedures

Within ten calendar days after receiving the notice, the **RD**[3] will acknowledge the application (if it is complete) or request that the credit union submit specific additional information within 30 calendar days.

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[1]Regional Director
[2]State Supervisory Authority
[3]Regional Director

Receipt of Incomplete Package

- RD 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 RD's request, he or she may either deny the proposed individual or review and take action on the notice based on the information provided

Receipt of Complete Package

- Upon receipt of a complete package, **DOS**[1] will
  - Obtain a credit report
    - If the report contains adverse credit information, the RD 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**[2] 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.
- RD 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

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[1]Division of Supervision
[2]NCUA's Office of General Counsel

- The RD will use the applicable template:
  - Pre-Adverse Action Disclosure Letter
  - Deny Change of Officials Due In Part to Adverse Credit

Last updated July 29, 2015

Exam 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**[1] may request a criminal background search on the individual if concerns arise during a review.

Laast updated July 29, 2015

Affected Credit Unions

- Chartered within the past two years
- For **FCUs**[2] assigned a CAMELS composite rating of 4 or 5 by the NCUA or, for **FISCUs**[3], an equivalent of CAMELS 4 or 5 by either the NCUA (after an onsite contact) or its state supervisor; or
- Credit unions granted assistance under § 208 of the Federal Credit Union Act that remain outstanding and unextinguished

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Last updated July 29, 2015

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 **RD**[4]'s approval for the replacement of certain credit union employees and all officials.

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[1]Division of Supervision
[2]Federal credit union
[3]Federally insured, state-chartered credit union
[4]Regional Director

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**[1] shall also file a copy of these forms with their state supervisor.

Last updated July 29, 2015

Approval Process

Upon receipt of the examiner's recommendation, **DOS**[2] will review and analyze the recommendation for appropriate support and justification.

If DOS or the **RD**[3] disagree 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 RD and upon signature, mails it to the credit union via expedited mail and copies both the examiner and supervisor.

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

Approval Timeframes

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

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 RD 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

Last updated July 29, 2015

[1]Federally insured, state-chartered credit union
[2]Division of Supervision
[3]Regional Director

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.

Last updated July 29, 2015

Grounds for Denial

The **RD**[1] will provide specific reasons for denial based on the authority of § 701.14(e) of the NCUA's regulations. All disapprovals require **OGC**[2] concurrence. The RD should forward any draft disapproval letter to OGC for review and concurrence at least ten calendar days before the expiration date for the RD 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 RD will weigh the factors listed below, and will deny the request if, on balance, the issues relating to the individual's competence, experience, character, or integrity are such that it is not in the best interest of the credit union's members or the public for the individual to be employed by or associated with the credit union.

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

- Criminal convictions
  - Certain criminal convictions may result in an automatic prohibition under § 205(d) of the Federal Credit Union Act and eliminate any need for any review pursuant to § 701.14 of the NCUA's regulations.

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[1]Regional Director
[2]NCUA's Office of General Counsel

Other criminal convictions may not. **Regional office**[1] staff should contact OGC whenever an applicant has a criminal conviction.

- Unsatisfactory work performance in the financial sector
- Lack of work experience in relevant areas of financial management
- Poor personal financial condition or credit history, particularly as it relates to losses caused to financial institutions
- Omission of significant information relevant for job consideration

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

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

If the application is not approved, **DOS**[2] 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 RD within 15 calendar days of receipt of the notice of denial, or file an appeal directly with the NCUA Board

[redacted]

[1]"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.
[2]Division of Supervision

[redacted]

[redacted]

Last updated July 29, 2015

Request for Reconsideration and/or Appeal

As stated in the NSPM, the NCUA will inform a credit union of its option to request reconsideration by the **RD**[1] 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 RD in writing
- Include any relevant previously omitted material and/or relevant documents not previously available
- Contain the specific reasons why the NCUA should reconsider the denial

Examiners[2] 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 RD reconsideration. Part 747 (subpart J) of the NCUA's regulations provides guidance for the appeal.

Last updated July 29, 2015

Application Withdrawal

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

Last updated July 29, 2015

[1]Regional Director

[2]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.).

Change of Officials for Troubled and Newly Chartered Credit Unions 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

Last updated July 29, 2015

Corporate Credit Union Program and Procedures

The NCUA Board created **ONES**[1] in July 2012 to evaluate key risk areas and risk management practices in CCUs and the largest consumer credit unions. Since January 1, 2014, ONES has been responsible for supervising CCUs. Rather than conducting a point-in-time examination, supervision activities are conducted routinely as part of an annual supervisory cycle. By evaluating risk qualitatively and quantitatively on an ongoing basis, it allows ONES staff to arrive at informed, supportable, and consistent conclusions about the health and safety of assigned credit unions.

> Throughout the NSPM, the term "regional office" includes ONES. The "Regional Director" term includes the ONES Director and "Associate Regional Director" includes the ONES Deputy Director.

This NSPM section describes situations unique to CCUs for consideration in fulfilling ONES's examination and supervision responsibilities.

Corporate Policies and Procedures

Besides circumstances in which the NCUA regulations (part 704) and the related delegated authorities require other processes or procedures, ONES follows the NSPM's policies and practices for CCUs to the fullest possible extent. ONES staff will follow the general responsibilities, procedures, and requirements in the NSPM's Regulatory Waivers and other Regulatory Actions section to process waivers, changes of officials, and other regulatory requests.

When ONES cannot use all the automated tools for CCU examinations or supervision contacts, staff should follow existing ONES procedures or processes until CCUs are incorporated into the automated systems. For example, ONES staff should review the monthly Corporate financial performance reports (CFPRs) for financial trend analysis in place of **RADAR**[2].

Last updated February 2, 2023

[1]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.
[2]Risk Assessment and Data Analytics Rating

Corporate Regulatory Waivers

Per Section 704.1(b) of the NCUA regulations, the NCUA Board can issue orders that vary from part 704. For state chartered CCUs, the NCUA will coordinate concurrence from the CCU's **SSA**[1] before issuing an approval or denial.

The risks associated with each regulatory waiver are unique. Depending on regulatory requirements, materiality, and/or complexity of the request, different CCUs may be required to produce different documentation than what another CCU had to produce.

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

Request Requirements

Regulatory waivers have different requirements. A CCU's request for a regulatory waiver should include:

- Justification supporting the request
- Copies of all applicable existing or draft policies and procedures relating to the regulatory waiver being sought
- Proposed systems and personnel needed to manage the program the waiver impacts efficiently and effectively
- A board resolution authorizing submission of an application for the regulatory waiver
- Analysis of the CCU's current capital position and its ability to meet the capital requirements on the date of implementation
- Pro-forma balance sheets, income statements, and capital "what-if" analyses demonstrating the benefits of the proposed regulatory waiver and acceptable risk to capital
- Other documentation supporting the request and the capabilities of the CCU's operational structure

[1]State Supervisory Authority

DOS Initial Responsibilities (Review Request)

Upon **ONES**[1]'s receipt of the credit union's application, **DOS**[2] will perform a cursory review to determine if the credit union request is complete.

If the request is complete, DOS will:

- Prepare and send an acknowledgement letter to the CCU
- Prepare and send a work assignment to the field requesting a recommendation for approval or denial (package includes CCU's request, application materials, and supporting documentation)

If a request is incomplete, DOS will:

- Prepare and send an incomplete/denial letter to the CCU via secure email
    - Ensure the letter lists the additional information the CCU must submit if they would like the request to be considered
    - Copy the examiner and supervisor on the letter

Exam Staff Responsibilities (Review CCU)

Examiners[3] and their supervisors are responsible for evaluating the risk of the regulatory waiver request. The examiner will scale the scope and depth of the review according to the materiality of the regulatory waiver request. During the evaluation, the examiner should:

- Review all pertinent documents
- Evaluate the CCU's management, capital level, CAMEL and risk ratings, and financial strength
- Consult with specialist(s) to determine if additional information is needed
- Contact the CCU to obtain any missing/additional information
- Determine if the materiality and complexity of the waiver request will necessitate a targeted review by the supervisory team or ONES

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[1]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.

[2]Division of Supervision

[3]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.).

specialized examiners
  - If so, the examiner will develop a project plan and submit it to the NFS for approval
    - The request will include an estimate of the time needed to complete an effective review of the request and how it may impact the timing of response by ONES on the waiver request itself

- 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 CCU from applying for reconsideration or filing an appeal.

Supervisor Responsibilities (Process Request)

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

DOS Responsibilities (Process Request)

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

- Review and process the field's approval or denial recommendation and their completed due diligence review
- Prepare a concurrence package for the ONES Director's approval or denial of the waiver request or recommendation of approval to other offices as outlined in the NCUA Delegations of Authority, if applicable
- Obtain necessary concurrences in accordance with the NCUA Delegations of Authority, if applicable
  - Concurrence Package – Table of Contents includes the required documentation for a package that requires **E&I**[1] and **OGC**[2]

[1]Office of Examination and Insurance
[2]NCUA's Office of General Counsel

concurrence and NCUA Board approval of the waiver request
    - ONES will prepare a concurrence request memo to E&I and OGC
  - ONES should notify OED for waivers that require NCUA Board approval and summarize the proposed transaction
    - ONES will allow ten business days for OED to review and concur
  - ONES must follow the Board Secretary-issued instructions and due dates for transactions that require NCUA Board approval
  - The ONES Director must submit a notice to the NCUA Board describing each waiver intended for approval within the ONES Director's delegated authority
- Submit the recommendation and proposed response letter to the ONES Director for approval or denial and signature
- Email the signed letter to the CCU (copying the examiner and supervisor)

If DOS or the ONES Director disagree with the field's recommendation, DOS will:

- Notify the supervisor of the reason(s) for the lack of concurrence, allowing the field to support further or revise their recommendation in the Regional Summary
- Draft revised correspondence
- Finalize the response letter for the ONES Director's signature
- Email the signed letter to the CCU (copying the examiner and supervisor)

After Approving Regulatory Waiver

Monitoring

Examiners will ensure the CCU is compliant with the regulations and the requirements for operating under the approved regulatory waiver.

During each annual examination, examiners will document compliance with the approved regulatory waiver. Failure to maintain compliance will result in the revocation of the regulatory waiver.

Addressing Violations

If the examiner identifies a violation of the regulatory waiver during a subsequent examination, the violation will be documented in the examination report and treated as a significant concern. If necessary, the examination will include corrective action, including ceasing the activity in violation of the regulatory waiver.

At a minimum, the corrective action will direct the CCU to submit a written plan for resolution to the ONES Director. The examiner will evaluate the financial severity or potential risk and decide whether to recommend revocation of the regulatory waiver in consultation with their supervisor.

If the examiner and supervisor determine the violation of the regulatory waiver does not present a heightened material risk to the CCU and believes the CCU will take appropriate corrective action through examination agreements, in the Closed Information Questionnaire examiners will:

- Document the waiver violation
- Provide support for the decision not to recommend revocation
- Attach concurrence from the supervisor

Last updated February 2, 2023

Processing Corporate Requests for Expanded Authority

Appendix B to part 704 of the NCUA regulations establishes the framework and requirements for managing the additional risk allowed when a CCU applies and is approved for expanded investment authorities. The risks associated with each expanded investment authority are unique; the rule allows a corporateCCU to apply for additional investment authorities it determines are necessary to manage balance sheet risk or to request authority for all expanded authorities. For state-chartered CCUs, the CCU must obtain approval for the expanded authority from the **SSA**[1] before submitting its request to NCUA.

The risks associated with each expanded investment authority are unique; the rule allows a CCU to apply for additional investment authorities it determines

[1]State Supervisory Authority

is necessary to manage balance sheet risk or to request authority for all expanded authorities.

The NCUA issued *Guidelines for Submission of Requests for Expanded Authority* to help CCUs and examiners evaluate CCU compliance with expanded investment authorities (parts I through IV). The guidelines provide additional clarity for submitting requests for expanded authorities and help examiners determine the need and qualifications of the CCU that has made a request.

Request Requirements

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

- Corporate self-assessment plan

Additionally, a CCU's request for an expanded authority waiver should include:

- Justification supporting the request
- Copies of all existing or draft policies and procedures relating to the expanded authority being sought
- Proposed systems and personnel needed to efficiently and effectively manage the proposed risk activity
- SSA approval for the request if it is a state-chartered CCU

A CCU should provide additional information and documentation if needed.

DOS Initial Responsibilities (Review Request)

Upon **ONES**[1]'s receipt of the CCU's expanded authority waiver request, **DOS**[2] will perform a cursory review before determine if the request is complete.

If a request is complete, DOS will:

- Prepare and send an acknowledgment letter to the CCU via secure email
- Prepare and send a work assignment to the field requesting a recommendation for approval or denial (package includes CCU's request, application materials, and supporting documentation)

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[1]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.
[2]Division of Supervision

If a request is incomplete, DOS will:

- Prepare and send an incomplete letter to the CCU via secure email
  - Ensure the letter lists the additional information the CCU must submit if they would like the request to be considered
  - Copy the examiner and supervisor on the letter

Exam Staff Responsibilities (Review Request)

Examiners[1] 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 in collaboration with their supervisor to determine if a targeted review is necessary
- Complete the applicable expanded authorities review checklist
- Contact the CCU to obtain any missing/additional information
- 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

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.

Last updated February 2, 2023

[1]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.).

Evaluating a Request for Expanded Authority

Examiners[1] 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**[2] mailbox

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Last updated July 29, 2015

DOS Responsibilities (Process Request)

DOS[3] will review and analyze the recommendation for appropriate support and justification upon receipt of the field's recommendation. DOS will:

- Review and process the field's approval or denial recommendation and their completed due diligence review
- Prepare a concurrence package for the **ONES**[4] Director's approval or denial of the waiver request or recommendation of approval to other offices as outlined in the NCUA Delegations of Authority, if applicable
  - Concurrence Package – Table of Contents includes the required documentation for a package that requires **E&I**[5] and **OGC**[6] concurrence and NCUA Board approval of the waiver request
    - ONES will prepare a concurrence request memo to E&I and OGC

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[1]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.).
[2]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.
[3]Division of Supervision
[4]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.
[5]Office of Examination and Insurance
[6]NCUA's Office of General Counsel

  - ONES should notify OED for waivers that require NCUA Board approval and summarize the proposed transaction
    - ONES will allow ten business days for OED to review and concur
  - ONES must follow the Board Secretary-issued instructions and due dates for transactions that require NCUA Board approval
  - The ONES Director must submit a notice to the NCUA Board describing each waiver intended for approval within the ONES Director's delegated authority

- Obtain necessary concurrences in accordance with the NCUA Delegations of Authority, if applicable
- Submit the recommendation and proposed response letter to the ONES Director for approval and signature
- Email the signed letter to the CCU (copying the examiner and supervisor)

If DOS or the ONES Director disagree with the field's recommendation, DOS will:

- Notify the supervisor of the reason(s) for the lack of concurrence, allowing the field to support further or revise their recommendation in the Regional Summary
- Draft a revised correspondence
- Finalize the response letter for the ONES Director's review and approval

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Last updated February 2, 2023

After Approving Corporate Expanded Authority

Monitoring

Examiners[1] will ensure the CCU complies with the regulations and requirements for operating under the approved expanded authority.

During each 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.

[1]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.).

Addressing Violations

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

At a minimum, the corrective action will direct the CCU to submit a written plan for resolution to the **ONES**[1] Director. The examiner will evaluate the financial severity or potential risk and decide whether to recommend revocation of the expanded authority in consultation with their supervisor.

If the examiner and supervisor determine the violation of the expanded authority does not present a heightened material risk to the CCU and believes the CCU will take appropriate corrective action through examination agreements, in the Closed Information Questionnaire examiners will:

- Document the waiver violation
- Provide support for the decision not to recommend revocation
- Attach concurrence from the supervisor

Last updated February 2, 2023

Investment Action Plans (IAP)

Sections 704.6(h) and 704.10 of the NCUA regulations state requirements for an **IAP**[2]. The NCUA expects a CCU will maintain the quality of its investment portfolio in accordance with part 704 by evaluating securities, their issuers, and any counterparties in all investment transactions.

Any CCU in possession of an investment, including a derivative, that fails to meet a part 704 requirement must, within 30 calendar days of the failure, report the failed investment to its board of directors, Supervisory Committee, and the **ONES**[3] Director. If a CCU does not sell the failed investment, and the

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[1]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.
[2]Investment action plan
[3]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.

investment continues to fail to meet a requirement of part 704, it must, within 30 calendar days of the failure, provide a written action plan described in § 704.10 of the NCUA regulations to the ONES director .

An investment is subject to the requirements of § 704.10 if the following regulatory requirements of § 704.6 have been violated:

- Appropriate monitoring of investment would reasonably conclude that the investment presents more than a minimal amount of credit risk
- 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 measurement purposes, each new credit transaction must be evaluated in terms of the CCU'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. CCUs 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 CCU must comply with § 704.10.

A CCU with a security that an IAP covers is subject to monthly monitoring and reporting requirements.

Request Requirements

As described in § 704.10 of the NCUA's regulations, a CCU's written IAP must include:

- The investment's characteristics and risks
- The process to obtain and adequately evaluate the investment's market pricing, cash flows, and risk
- How the investment fits into the CCU's asset and liability management strategy
- The impact that either holding or selling the investment will have on the CCU's earnings, liquidity, and capital in different interest rate environments
- The likelihood the investment may again pass the requirements of this part

DOS Initial Responsibilities (Review Request)

Upon ONES's receipt of the CCU's IAP, **DOS**[1] will perform a cursory review to determine if the request is complete.

If a request is complete, DOS will:

- Prepare and send an acknowledgment letter to the CCU via secure email
- Prepare and send a work assignment to the field requesting a recommendation for approval or denial (package includes CCU's request, application materials, and supporting documentation)

If a request is incomplete, DOS will:

- Prepare and send an incomplete/denial letter to the CCU via secure email
    - Ensure the letter lists the additional information the CCU must submit if they would like the IAP to be considered
    - Copy the examiner and supervisor on the letter

Exam Staff Responsibilities (Review Request)

- **Examiners**[2] and their supervisors are responsible for evaluating a CCU's investment strategy and policies and the specific investments that resulted in the violation of part 704 and the need for the CCU to file an IAP. During the evaluation, the examiner should:
- Review all pertinent documents, including both pre- and post-purchase analyses
- Consult with the assigned capital markets specialist to ensure appropriate analysis and recommendation
- Contact the CCU to obtain any missing/additional information
- Complete a Regional Summary to include an approval or denial recommendation
- Draft a letter for approval, partial approval, deferral, or denial

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[1]Division of Supervision

[2]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.).

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

Supervisor Responsibilities (Process Request)

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

DOS Responsibilities (Process Request)

DOS will review and analyze the recommendation for appropriate support and justification upon receipt of the field's recommendation. DOS will:

- Review all supporting documentation, including both pre- and post-purchase analyses
- Provide additional comments in the Regional Summary and include an approval or denial recommendation
- Edit the draft letter for approval, partial approval, deferral, or denial
- Submit the recommendation and proposed response letter to the ONES Director for approval and signature
- If DOS and/or the ONES Director disagree with the field's recommendation, DOS will:
- Notify the supervisor of the reason(s) for the lack of concurrence, allowing the field to support further or revise their recommendation in the Regional Summary
- Draft a revised correspondence
- Finalize the response letter for the ONES Director's review and signature

After Approving an IAP

Monitoring

Examiners will monitor monthly to ensure the CCU complies with the regulation and the requirements of any approved IAP. Monitoring will include ensuring that the CCU 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 CCU to maintain compliance and meet reporting requests may result in the revocation of an approved IAP.

Addressing Violations

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

At a minimum, the corrective action will direct the CCU to submit a written plan for resolution to the ONES Director. The examiner will evaluate the financial severity or potential risk and decide, in consultation with their supervisor, and the ONES 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 CCU and believes the CCU will take appropriate corrective action through examination agreements, in the Closed Information Questionnaire examiners will:

- Document the waiver violation
- Provide support for the decision not to recommend revocation
- Attach concurrence from the supervisor

Last updated February 2, 2023

Capital Restoration Plans (CRP)

DEs[1] are responsible for monitoring compliance with the proper filing and maintenance of a **CRP**[2] under § 704.4 of the NCUA's regulations. The **ONES**[3] Director has delegated authority to manage the CRP and approval process.

[1]District Examiner

[2]Capital Restoration Plan

[3]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.

CRP Requirements

Any undercapitalized CCU must have in place an NCUA-approved CRP. A CCU must file a written CRP with the NCUA within 45 days of the date that the CCU receives notice or is deemed to have notice that the CCU is undercapitalized, significantly undercapitalized, or critically undercapitalized, unless the NCUA notifies the CCU in writing that the plan is to be filed within a different period. A CRP must specify:

- Steps the CCU will take to become adequately capitalized
- Levels of capital to be attained during each year the plan will be in effect
- How the CCU will comply with the restrictions or requirements in effect under **PCA**[1]
- Types of levels of activities in which the CCU will engage

Refer to the NSPM's CCU PCA section for more information on capital classifications.

DOS Initial Responsibilities (Review Request)

Due to the time sensitivity of CRP packages, **DOS**[2] should perform a cursory review of incoming packages for completeness, ensuring 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:

- A work assignment and send 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
- A letter to the CCU and provide a date by which the ONES Director will respond consistent with § 704.4(e)(4))

Exam Staff Responsibilities (Review Request)

During the evaluation, the examiner should:

[1]Prompt Corrective Action(s)
[2]Division of Supervision

- Review all pertinent documents
- Contact the CCU to obtain any missing/additional information
- Complete a Regional Summary to include an approval or denial recommendation
- Email the approval, partial approval, deferral, or denial letter, the Regional Summary, and any other supporting documentation to their supervisor
    - If the examiner recommends denying the plan, the letter must list the plan's specific deficiencies that warrant denial

Supervisor Responsibilities (Process Request)

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

DOS Responsibilities (Process Request)

DOS will review and analyze the recommendation for appropriate support and justification upon receipt of the field's recommendation. DOS will:

- Review the CRP and all supporting documentation
- Provide additional comments in the Regional Summary and include an approval or denial recommendation
- Edit the draft letter for approval, partial approval, deferral, or denial
- Submit the recommendation and proposed response letter to the ONES Director for approval and signature

If DOS and/or the ONES Director disagree with the field's recommendation, DOS will:

- Notify the supervisor of the reason(s) for the lack of concurrence, allowing the field to support further or revise their recommendation in the Regional Summary
- Draft a revised correspondence
- Finalize the response letter for the ONES Director's review and signature
- Email the signed letter to the CCU (copying the examiner and supervisor)

Processing a Capital Restoration Plan

Federal Credit Union CRP

Upon receipt of a substantially complete **CRP**[1] package from a **FCU**[2], the examiner will contact the credit union to obtain any additional documentation necessary for processing.

Examiners[3] 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***[4] *for Corporate Credit Unions*, for additional information.

Examiners must submit a draft letter that outlines approval or denial of the CRP to **ONES**[5] 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**[6] should ensure the delivery method of the letter to the credit union includes a signature.

Federally Insured, State-Charted Credit Union CRP

A **FISCU**[7] will submit its CRP to the ONES director and **SSA**[8]. The processing procedures listed for **FCUs**[9] 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

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[1]Capital Restoration Plan

[2]Federal credit union

[3]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.).

[4]Prompt Corrective Action(s)

[5]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.

[6]Division of Supervision

[7]Federally insured, state-chartered credit union

[8]State Supervisory Authority

[9]Federal credit union

- 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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Last updated July 29, 2015

Failure to Submit a CRP

DOS[1] will monitor CCUs that fail to submit a **CRP**[2] and contact the supervisor for a status report when the CRP is not received by the due date.

When any CCU fails to file the CRP on time, examiners will draft a letter to the CCU through their supervisor notifying the CCU that it is out of compliance with NCUA's regulations. The supervisor will submit the letter to **ONES**[3] Mail within three business days of receipt.

A CCU that is undercapitalized and fails to submit a written capital restoration plan within 45 days of the date the CCU receives notice it is undercapitalized will, upon the expiration of the 45 days, be subject to all of the provisions of § 704.4 applicable to significantly undercapitalized CCUs.

After Approving the CRP

Monitoring

Examiners[4] will monitor each CCU operating with a CRP. Additionally, examiners will complete a quarterly review of the CCU's progress meeting the CRP and document the results within MERIT until the plan is no longer needed.

Examiners and their supervisors are responsible for monitoring compliance with the CRP.

Addressing Discrepancies

If a review determines a CCU has materially fallen short of the CRP's goals, examiners will:

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[1]Division of Supervision

[2]Capital Restoration Plan

[3]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.

[4]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.).

- Instruct the CCU to adjust financial and operational strategies to comply with the CRP
- Advise, when appropriate, the CCU to develop and submit a revised CRP
- Pursue additional supervisory remedies, such as administrative action

If the review determines the existing, approved plan is no longer adequate, examiners will send an email (through their supervisor) to the ONES mailbox along with a draft letter instructing the CCU to submit a revised plan.

Documentation will include a comparison of the CCU's actual performance with its current CRP.

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

Last updated February 2, 2023

Monitoring a Capital Restoration Plan after Approval

Examiners[1] will monitor each corporate operating with a leverage ratio less than four percent and provide their supervisor with a monthly update report (**ONES**[2] **DOS**[3] 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**[4] and overall capital stability.

Examiners and their supervisor are responsible for monitoring the level of compliance with the **CRP**[5]. 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

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[1]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.).
[2]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.
[3]Division of Supervision
[4]Prompt Corrective Action(s)
[5]Capital Restoration Plan

- 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**[1] should be cited in the examination report as appropriate.

Last updated July 29, 2015

CRP that is No Longer Needed

Once a CCU with a **CRP**[2] is effectively classified as "adequately capitalized" under **PCA**[3] and successfully remains so for 12 consecutive months, the CCU is no longer required to operate under a CRP, and the CRP is no longer in effect.

With the supervisor's concurrence, examiners will review the CCU's financial and operational condition, confirm the accuracy of the capital classification, and draft a memo to the **ONES**[4] Director confirming the CRP is no longer in effect.

- The memo will include:
  - A draft letter advising the CCU that the CRP is ending
  - Supervision plans, if necessary, for monitoring PCA compliance until the CCU becomes "well capitalized"

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[1]Net Worth Restoration Plan(s)

[2]Capital Restoration Plan

[3]Prompt Corrective Action(s)

[4]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.

- The supervisor will review the recommendation and the draft letter and forward it to **DOS**[1] for processing
- The ONES office will issue a letter to the CCU formally acknowledging that the CRP is no longer in effect

PCC Redemption Request

The NCUA Regulations § 704.3(c)3 allows CCUs to call PCC so long as all minimum required capital and NEV ratios are met after redeeming the PCC, and a formal request is made to and approved by the NCUA. The ONES Director can approve the PCC redemption request with the concurrence of **E&I**[2].

In most cases, CCUs were required to acquire and maintain PCC to meet and maintain at least adequately capitalized status due to the 2009-2010 CCU crisis, which weakened many CCUs individually and the credit union system. Given the systemically important nature of the "banker's bank" activities CCUs provide to the credit union system as a whole, CCUs' ability to effectively manage and maintain capital reserves sufficient to their risk profile is crucial to the ongoing strength and resilience of the credit union system. Maintaining and managing capital to regulatory requirements alone is not considered a suitable replacement for an active and effective ongoing capital analysis and planning process, given the role CCUs play within the larger credit union industry.

The decision to redeem PCC must be made with the interest of the CCU, their member credit unions, and the safety of the SIF in mind.

PCC Redemption Requirements

An evaluation of capital adequacy and strength of capital management practices must be considered on the current reporting period and on a forward-looking basis. As part of a review of a CCU's application to redeem PCC, the assigned **DE**[3] should consider the following:

- The overall financial condition of the CCU, along with an evaluation of any anticipated or emerging risk exposures that may not be accounted for in ongoing accounting and performance management reporting
- The strength of the CCUs risk management and ongoing capital assessment, planning and management practices to identify and maintain

[1]Division of Supervision
[2]Office of Examination and Insurance
[3]District Examiner

meaningful minimum retained earnings and leverage ratio tolerances and standards in accordance with § 704.3(a)(2)
  - This evaluation should consider an estimation of both expected and unexpected loss and evaluate the sufficiency of capital under various stress scenarios

Capital planning and supervisory analysis by CCUs should consider qualitative and quantitative factors that may affect capital adequacy. Capital adequacy cannot be determined solely based on a numeric formula; standard and regulatory minimum requirements should not be considered a proxy for assessment of the adequacy of a CCU's capital position.

When ONES receives a PCC redemption request, the DE will lead the PCC redemption review with assistance from a capital market specialist and other specialists as deemed appropriate. The DE documents their review using the Regional Summary template. The summary and analysis must evaluate (at a minimum) the following:

- CCU's current financial condition
- Post PCC redemption financial condition
- Assessment of capital resiliency under adverse conditions (including termination of the EBA program) and projected capitalization
- CCU risk management fundamentals
- CCU capital policies and oversight process
- Approaches and assumptions used to produce the ongoing capital assessments and forecasts

DOS Initial Responsibilities (Review Request)

DOS should perform a cursory review of the incoming package for completeness. CCUs should provide sufficient documentation for analysts to evaluate the CCU's capital adequacy assessment, capital adequacy plan, and PCC redemption proposal. The analyst should evaluate whether the CCU has incorporated the decision to redeem PCC into its larger capital plan and policy and should also consider the considerations outlined in § 704.3(d)(2) of the Rules and Regulations.

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

For a complete package, DOS will prepare:

- A work assignment and send the request to the examiner and the supervisor with a required response date of at least ten business days
- A letter to the CCU and provide a date by which the ONES Director will respond

Exam Staff Responsibilities (Review Request)

Examiners[1] should perform a detailed review of the incoming package for completeness. CCUs should provide sufficient documentation for examiners to evaluate the CCU's capital adequacy assessment, capital adequacy plan, and PCC redemption proposal. The DE should evaluate whether the CCU has incorporated the decision to redeem PCC into its larger capital plan and policy and should also consider the considerations outlined in § 704.3(d)(2) of the Rules and Regulations.

Further, the review should include an evaluation of corporate capital strength exclusive of the Federal Reserves Excess Balance Account (EBA) program. For capital adequacy that cannot be demonstrated without using the EBA program, CCUs should have in place reasonable, legally committed, and tested off-balance sheet alternatives. This is necessary as a change or interruption to the EBA program requirements could severely impact a CCU's capital.

During the evaluation, the examiner should:

- Review all pertinent documents
- Contact the CCU to obtain any missing/additional information
- Complete a Regional Summary to include an approval or denial recommendation
- Email the approval, partial approval, deferral, or denial letter, the Regional Summary, and any other supporting documentation to their supervisor
    - If the examiner recommends denying the redemption request, the letter must list the specific deficiencies that warrant denial

[1]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.).

Supervisor Responsibilities (Process Request)

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

DOS Responsibilities (Process Request)

DOS will review and analyze the recommendation for appropriate support and justification upon receipt of the field's recommendation. DOS will:

- Review the redemption request and all supporting documentation
- Provide additional comments in the Regional Summary and include an approval or denial recommendation
- Edit the draft letter for approval, partial approval, deferral, or denial
- Submit the recommendation and proposed response letter to the ONES Director for approval and signature

If DOS and/or the ONES Director disagree with the field's recommendation, DOS will:

- Notify the supervisor of the reason(s) for the lack of concurrence, allowing the field to support further or revise their recommendation in the Regional Summary
- Draft a revised correspondence
- Finalize the response letter for the ONES Director's review and signature
- Email the signed letter to the CCU (copying the examiner and supervisor)

Last updated February 2, 2023

Invoking a DSA or OCA for a Critically Undercapitalized Credit Union

ONES[1] field and office staff will follow the guidelines and procedures outlined in the Prompt Corrective Action section of the NSPM and in § 704.4 of the

[1]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.

NCUA's regulations when invoking discretionary supervisory actions and other corrective actions for a critically undercapitalized credit union.

Last updated July 29, 2015

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 **CUSOs**[1] must be pre-approved by the NCUA pursuant to § 704.11 of the NCUA's regulations. Two preapproved activities in § 704.11(d) are brokerage services (as defined in the Securities Exchange Act of 1934) and investment advisory services (as defined in the Investment Advisers Act of 1940). Approved corporate CUSO activities are presented on the NCUA's website.

The Corporate **CUSO**[2] Activities page on the NCUA's website details a corporate's responsibilities for complying with § 704.11(d), the approval process for requesting additional corporate CUSO activities, and a list of those additional activities that are approved for corporate CUSOs, including reporting requirements and other restrictions on any corporate CUSO which desires to engage in those activities

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

Last updated February 2, 2023

Corporate CUSO Activity Approval Requests

In general, **ONES**[3] will process requests for approval corporate CUSO activities using the following procedures.

DOS Initial Responsibilities (Review Request)

DOS[4] handles preliminary processing of requests for approval of corporate CUSO activities; however, depending on the specific activity submitted and

[1]Credit union service organization

[2]Credit union service organization

[3]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.

[4]Division of Supervision

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 the activity is already approved
- Identify whether consultation with the **DE**[1] or a specialized examiner is needed

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

- Prepare an acknowledgment letter and send it to the corporate or CUSO via secure email
- Review the request to determine whether it falls under an existing approved corporate CUSO activity
    - If the request is for an activity the NCUA has approved for all corporate CUSOs, DOS will prepare an approval letter.
    - If the request is for an activity the NCUA has not approved, DOS will determine if the request meets the criteria specified in § 704.11 of the NCUA's regulations and evaluate the risks associated with the activity
        - If necessary, DOS will consult with the DE, specialized examiner, **E&I**[2], or **OGC**[3]
        - For field consultation, the supervision technician will prepare and send a work assignment to the field that includes the CCU'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 CCU or CUSO
- Ensure the letter lists the additional information the CCU or CUSO must

[1]District Examiner
[2]Office of Examination and Insurance
[3]NCUA's Office of General Counsel

submit if it would like the request to be reconsidered

- Copy the examiner and supervisor on the letter

Exam Staff Responsibilities (Review Request)

During the evaluation, the examiner should:

- Review all pertinent documents with their supervisor and specialist(s), if necessary, to evaluate whether the requested activity:
  - Is appropriate
  - Aligns with the CCU's business plan
- Determine if the CUSO:
  - Is currently profitable
  - 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 determine if the corporate CUSO activity request is complete. If the activity request is not complete, examiners will:

- Draft an incomplete/denial letter
- Informally contact the corporate CUSO to obtain the missing information

If the corporate CUSO activity request 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

Supervisor Responsibilities (Process Request)

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

DOS Responsibilities (Process Request)

The delegated authority for approving corporate CUSO activities requires concurrence from E&I and OGC. DOS will review and analyze the recommendation for appropriate support and justification upon receipt of the field's recommendation. Upon concurrence, DOS will:

- Endorse the recommendation
- Provide additional support and justification as needed
- Prepare a concurrence request package for the ONES 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 ONES Director for signature. DOS will email the letter to the corporate CUSO. DOS will then notify the NCUA webmaster to update the Approved Corporate CUSO Activities webpage.

If DOS and/or the ONES Director disagree with the field's recommendation, DOS will:

- Notify the supervisor of the reason(s) for the lack of concurrence, allowing the field to support further or revise their recommendation in the Regional Summary
- Draft a revised correspondence
- Finalize the response letter for the ONES Director's review and signature
- Email the signed letter to the corporate CUSO (copying the examiner and supervisor)

Last updated February 2, 2023

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**[1] 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.

Last updated July 29, 2015

Prompt Corrective Action

PCA[2] for CCUs is designed to restore and improve the capital of CCUs. The principal purpose of § 704.4 of the NCUA's regulations is to define the capital measures and capital levels used to determine appropriate supervisory actions for a CCU that is not adequately capitalized. The relevant PCA capital measures for CCUs are:

- Leverage ratio
- Tier 1 RBC ratio
- Total RBC ratio

When a CCU is subject to PCA, the **DE**[3] will monitor compliance to all applicable provisions of PCA contained in § 704.4. This section of the NSPM establishes policy and guidelines for CCUs that NCUA staff will follow when completing PCA-related work assignments and examination or supervision of PCA-related issues.

Category Classifications

Examiners[4] must consider if a CCU meets any applicable risk-based requirements for PCA classification. Examiners will determine the effective date and PCA classification as defined under § 704.4(d) of the NCUA's regulations and ensure that assigned CCUs comply with all requirements of § 704.4.

It is important to note a CCU may meet one or two of the "well capitalized" elements in the following table but end up in the "adequately capitalized"

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[1]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.).

[2]Prompt Corrective Action(s)

[3]District Examiner

[4]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.).

category because other elements are below the "well capitalized" thresholds. In addition, a CCU may meet one or two of the "adequately capitalized" elements but end up in the "undercapitalized" category because other elements are below the "adequately capitalized" thresholds.

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

Effective Date of Classification

At its discretion, **ONES**[1] may provide the examiner with documentation to determine the effective date of classification and/or if a CCU is newly chartered. It is incumbent on the examiner to be familiar with their district information.

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

[1]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.

- A 5310 Financial Report was required to be filed with the NCUA
- A final NCUA report of examination was delivered to the CCU
- Written notice was provided from the NCUA that its capital category changed as provided in § 704.4(c)(2) or § 704.4(d)(3) of the NCUA's regulations

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 CCU is federally chartered or state-chartered:

For a Federal CCU

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

For a Federally Insured Corporate State-Chartered Credit Union

Consult and work cooperatively with the appropriate **SSA**[1] official before correcting a **FISCU**[2]'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 the NCUA **EIC**[3] knows the SSA will be providing a timely examination report to the FISCU	
Joint examination in which SSA may not release its exam-	Follow procedure

[1]State Supervisory Authority
[2]Federally insured, state-chartered credit union
[3]Examiner-in-charge

Activity Type	Classification Effective Date
ination report for several months	used for **FCUs**[1] (through a notification letter) • Allow the SSA to review the draft notification letter before it is issued • Copy the SSA on the final letter
Independent insurance review completed by the NCUA	

Lowering a Classification

If an examiner recommends lowering a CCU's capital category to anything lower than "well capitalized" based on an examination or supervision contact, the examiner must:

- Obtain supervisor concurrence for lowering the category
- Attach concurrence from the supervisor in the Closed Information Questionnaire 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 CCU, the examiner will prepare a draft letter to formally notify CCU officials of the corrected capital category and the required PCA action(s). This should be rare.

In most circumstances, findings resulting in the lowering of a CCU's capital category would be significant, warranting an examination report to the CCU's officials for the administrative record. Examiners should modify the Net Worth Category Reclassification samples letter for use with a CCU. Examiners should

[1]Federal credit union

forward the draft letter to the ONES mailbox for processing through their supervisor.

Last updated February 2, 2023

CUSO Registry

In November 2013, the NCUA issued a final rule affecting the relationship between credit unions and credit union service organizations. The Board subsequently issued changes to corporate credit union rules to require the same reporting for **CUSOs**[1] that have a loan or investment from a corporate credit union.

Part 712 and § 741.222 of the NCUA's regulations apply to all federally insured credit unions that have an investment in, or loan to, a **CUSO**[2]. Section 712.3 (d)(4) requires CUSOs to agree, in writing, to provide information to the NCUA and the appropriate **SSA**[3], if applicable, on an annual basis.

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

Last updated July 31, 2018

[1]Credit union service organization
[2]Credit union service organization
[3]State Supervisory Authority

Exam Staff and Regional Office Responsibilities

When reviewing **CUSO**[1] relationships, **exam staff**[2] should:

1. Determine if the credit union/CUSO relationships reported in the CUSO Registry are materially accurate. If registration is outdated or if the registry contains materially inaccurate information:
   a. **If the credit union is the whole or majority owner of the CUSO**, the examiner should attempt to resolve any CUSO reporting issues or 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 Concerns Form. This form is also located in the MERIT job aids repository. 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**[3] **with multiple owners**, the examiner should notify the regional office of any CUSO reporting issues or concerns immediately using the CUSO Registry Reporting Concerns Form. The regional office will use the appropriate template to contact the CUSO and any credit union investors or lenders of record as soon as possible. The letter will ask the CUSO to 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.

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[1]Credit union service organization

[2]"exam 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.

[3]Credit union service organization

2. If the review coincides with a credit union exam or contact, document the review in the Scope. The examiner may need to create a Scope Task specifically related to this review. Indicate if any issues were discovered, and document the status of resolution..

If an examiner finds 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**[1]'s Finding in the credit union's exam report.

If an examiner finds a CUSO is in breach of its contract with respect to registering, the examiner will note this as an Examiner's 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 examination, the examiner should note this in the Examiner's Findings.

Serious or significant recurring issues should be discussed with your supervisor and may warrant a **DOR**[2] or **RD**[3] Letter. Any recommended enforcement action beyond a DOR or **RDL**[4] should include consultation with **OGC**[5].

Additional Regional Office Responsibilities

Regional offices will:

- Process CUSO Registry Reporting Concern forms submitted by exam staff
- Notify **E&I**[6] 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

Last updated February 2, 2023

[1]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.).
[2]Document of Resolution
[3]Regional Director
[4]Regional Director letter
[5]NCUA's Office of General Counsel
[6]Office of Examination and Insurance

CUSO Registry Templates

- **CUSO**[1] Registry Reporting Concern Form
- CUSO Registry Examination Follow-Up Letter
- CUSO Registry Regional Director Letter to Credit Union Owners or Lenders

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Last updated July 31, 2018

[1]Credit union service organization

CUSO Reviews

A **CUSO**[1] is an organization that is owned wholly, or in part, by one or more credit unions in order to provide services to credit unions, credit union members, or both. Part 712 of the NCUA's regulations establishes requirements for **CUSOs**[2]; these include limits on the amount of investments in or loans to a CUSO that an **FCU**[3] can make. Certain sections of part 712 apply to **FISCUs**[4].

Section 712.3(d)(3) of the NCUA regulations requires both **FCUs**[5] and FISCUs to have a written agreement with a CUSO requiring the CUSO to provide the NCUA and the **SSA**[6], as applicable, with complete access to any books and records and allow the NCUA to review internal controls as deemed necessary. This allows the NCUA's review of CUSO operations.

The NCUA lacks direct regulatory authority over CUSOs. However, the NCUA and **SSAs**[7] (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 NSPM section 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**[8] conducting such a review should refer to the Examiner's Guide, the CUSO Registry review procedures outlined in the NSPM, and the CUSO Registry Review job aid located in the MERIT job aid repository.

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[1]Credit union service organization
[2]Credit union service organization
[3]Federal credit union
[4]Federally insured, state-chartered credit union
[5]Federal credit union
[6]State Supervisory Authority
[7]State Supervisory Authority
[8]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.).

Last updated February 2, 2023

General Responsibilities Regarding CUSOs

E&I

E&I[1] will monitor the national status and trends of **CUSOs**[2] through data available from the CUSO Registry. E&I will use this information, along with **CUSO**[3] reviews, to evaluate risk mitigation and control and to identify weaknesses in overall CUSO supervision processes. E&I will maintain a SharePoint spreadsheet of CUSO reviews along with the planned CUSO review list for the current year.

E&I will also distribute NCUA-authored CUSO reviews to **SSAs**[4] that did not otherwise receive a copy of the final report from the regions.

Regional Office

Yearly, regions will solicit CUSO recommendations from NCUA staff and each **SSA**[5] in the region. During the annual resource budgeting process, **ARDPs**[6] will collectively determine which CUSOs will receive on-site CUSO reviews based on SSA and **exam staff**[7] recommendations, a CUSO's overall risk profile (identified through CUSO Registry information), and the availability of staff resources.

DOS[8] 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**[9]

[1]Office of Examination and Insurance
[2]Credit union service organization
[3]Credit union service organization
[4]State Supervisory Authority
[5]State Supervisory Authority
[6]Associate Regional Director of Programs
[7]"exam 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.
[8]Division of Supervision
[9]Examiner-in-charge

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

SE and DSA

SEs[1] and DSAs will coordinate with examiners, specialists, and **PCOs**[2] 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**[3], and **ARDO**[4].

Exam 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**[5] 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

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[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[2]Problem Case Officer
[3]Associate Regional Director of Programs
[4]Associate Regional Director of Operations
[5]Problem Case Officer

its operations or the products and services it provides. It may also pose a risk to the credit unions that have an ownership in or loan to the CUSO if not financially stable.

Recommending a CUSO for independent review is performed annually through the referral and selection process discussed in the Selecting CUSOs for Review section of the NSPM. If exam 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.

Last updated January 4, 2021

Selecting, Scheduling, and Resourcing CUSO Reviews

Regions will solicit recommendations for **CUSO**[1] reviews from the field annually. Recommendations should come from examiners, specialists, and **PCOs**[2] (through their supervisors). The region will also solicit recommendations for CUSO reviews from each **SSA**[3] in the region and will review CUSO Registry reports to identify **CUSOs**[4] 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**[5] or **DSA**[6]) 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.

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[1]Credit union service organization
[2]Problem Case Officer
[3]State Supervisory Authority
[4]Credit union service organization
[5]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[6]Division of Special Actions or discretionary supervisory actions

On a quarterly basis, regions will provide the following information in the quarterly workload memo to **E&I**[1]:

- 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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Last updated December 30, 2016

Scope of Review

NCUA staff conducting stand-alone **CUSO**[2] reviews must use the CUSO review scope workbook. The CUSO review scope workbook is not required for follow-up CUSO reviews or reviews of **CUSOs**[3] conducted as part of the normal examination process. The CUSO review scope workbook includes CUSO review steps common to all CUSOs regardless of service type. These review steps are, in large part, based on requirements outlined in part 712 of the NCUA's regulations.

> **Regional supervisors responsible for a CUSO review may request expertise outside of their group.** This may be an opportunity to bring in **SMEs**[4] 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**[5], 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**[6] should generally design the review to determine regulatory compliance, assess the risk to investing or lending credit unions, and assess

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[1]Office of Examination and Insurance
[2]Credit union service organization
[3]Credit union service organization
[4]Subject Matter Examiner
[5]Member Business Loan
[6]Examiner-in-charge

potential risks to credit unions that use the CUSO's products or services. **Examiners**[1] can also consult the CUSO section of the Examiner's Guide for more information regarding the risks CUSOs can pose to credit unions.

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

> Some issues identified during a CUSO review may need to be addressed directly with individual credit unions that invest in or lend to the CUSO. For example, if a **FCU**[2] 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**[3] will bring all such concerns to the attention of the **SE**[4] and to the assigned examiner of the credit union(s) that invest in or lend to the CUSO.

Last updated January 4, 2021

CUSO Review Report and Workpapers

A **CUSO**[5] 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)

[1]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.).
[2]Federal credit union
[3]Division of Supervision
[4]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[5]Credit union service organization

The **EIC**[1] will format the required sections using the CUSO review report template. CUSO review reports must include the following information, which the EIC can provide in any of the required report sections:

- CUSO's background information
- List of CUSO officials/senior management (including individual backgrounds)
- CUSO's organizational chart
- List of credit unions that invest in, loan to, or are affected by the CUSO, and the level of involvement for each credit union listed
- Scope of review
- List of services offered by the CUSO
- CUSO's financial data and trends (the EIC can use the embedded CUSO FINANCIAL TEMPLATE.xlsx worksheet to incorporate information and trends into the report at his or her discretion)
- Region performing the examination
- **SE**[2]/**DE**[3] performing the examination

A MERIT contact will not be closed for independent CUSO reviews. However, as noted previously, **DOS**[4] is responsible for uploading the zip file containing all examination documents and workpapers to the **E&I**[5] SharePoint site for CUSO reviews, and updating the SharePoint spreadsheet of CUSO reviews.

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

[1]Examiner-in-charge
[2]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[3]District Examiner
[4]Division of Supervision
[5]Office of Examination and Insurance

Reports provided to investors and lenders should not include information that may be considered trade secret, proprietary, or could expose a CUSO to additional risk (for example, information related to security controls). If necessary, **EICs**[1] will document this type of information in a "Closed Section" appendix to the CUSO review report. The Closed Section appendix will be provided to the CUSO, but will not be distributed to credit unions that invest in or loan to the CUSO.

Last updated January 4, 2021

Distributing a Draft Review Report

The **EIC**[2] will forward the draft **CUSO**[3] review package to their supervisor for initial review. At a minimum, the CUSO review package will include the CUSO Review report (including any attachments and appendices) and the Confidential Section. Upon review and approval, the supervisor will forward the draft report to **DOS**[4] Mail; DOS will log the item and review it within 14 calendar days. The responsible DOS analyst, working with the EIC and the EIC's supervisor, will review, edit, and clarify the report as necessary.

Once the draft report has been reviewed by DOS and agreed-upon changes have been made, the DOS analyst will mark the report "Draft" and send it to any **SSA**[5] that participated in the on-site review. The DOS analyst will not provide the draft report for comment to any SSA that did not participate in the review.

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

Once SSA comments are received and incorporated into the draft report by DOS (or if no SSA participated in the review), the DOS analyst will send a copy of the draft report to CUSO management. The DOS analyst will use the Draft

[1]Examiner-in-charge
[2]Examiner-in-charge
[3]Credit union service organization
[4]Division of Supervision
[5]State Supervisory Authority

Report Cover Letter to CUSO template to create a transmittal letter for the draft report. This letter will request CUSO management provide comments regarding review content and responses to all findings and recommended corrective actions within 15 calendar days of receipt.

Management Response

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

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

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

Last updated January 4, 2021

Distributing a Final Review Report

After the **DOS**[1] analyst enters management responses into the final report, they will finalize the report and distribute it as outlined below:

Cover Letter	Recipient
Final Report Cover Letter to CUSO	**CUSO**[2] officials

[1]Division of Supervision
[2]Credit union service organization

Cover Letter	Recipient
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
Final Report Cover Letter to SSA	**SSAs**[1] 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**[2], DSAs and **DEs**[3], **ARDO**[4], **ARDP**[5], and DOS director
N/A	**E&I**[6] (for distribution to SSAs who did not receive the report directly from the regions)

Reports provided to investors and lenders should not include information that may be considered trade secret, proprietary, or could expose a CUSO to additional risk (for example, information related to security controls). If necessary, **EICs**[7] will document this type of information in a "Closed Section" appendix to the CUSO review report. The Closed Section appendix will be provided to the CUSO, but will not be distributed to credit unions that invest in or loan to the CUSO.

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

Certain reports may be issued jointly with or through the **SSA**[8], which will necessitate alteration of these processes and negotiation with the

[1]State Supervisory Authority
[2]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[3]District Examiner
[4]Associate Regional Director of Operations
[5]Associate Regional Director of Programs
[6]Office of Examination and Insurance
[7]Examiner-in-charge
[8]State Supervisory Authority

particular SSA. Template letters may need to be amended to include the SSA's logo, signature, and related information as appropriate.

Last updated March 5, 2019

Management Conference

Once **DOS**[1] has distributed the final report, the **EIC**[2] or supervisor may schedule a management conference with **CUSO**[3] officials. While this conference is not mandatory, the EIC or supervisor will request it if:

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

If scheduled, this conference will be held within 30 calendar days of issuing the final report to the CUSO.

Depending on the severity of the issues and the response of the CUSO's management team, the EIC may need to schedule a conference with CUSO officials before the distribution of the report to discuss proper corrective action. The EIC should discuss this option with, and get concurrence from, their supervisor before scheduling.

Even if the **SSA**[4] 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 occur only when the CUSO has state-chartered credit unions that invest in or loan to the CUSO, or are provided products and services by the CUSO. In these cases, DOS should provide a copy of the final review report to the SSA at least three business days before the scheduled meeting to allow the SSA sufficient time to review the final report.

If a conference is held, the EIC will review report content, discuss all material concerns, and obtain formal agreement on the responses provided by CUSO

[1]Division of Supervision
[2]Examiner-in-charge
[3]Credit union service organization
[4]State Supervisory Authority

management. This conference will normally be held with the CUSO board of managers or key management depending on the severity of the issues noted during the review. The SSA will be offered the opportunity to attend the conference meeting as applicable. The EIC should include commitments regarding conference results in the Confidential Section of the report.

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

Last updated February 2, 2023

CUSO Follow-Up Reviews

CUSO[1] follow-up reviews can be conducted when directed by the **SE**[2], the **DSA**[3] director or other senior NCUA officials. The **EIC**[4] 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**[5] Mail. DOS will log the item and review it within 14 calendar days. The responsible DOS analyst, working with the EIC and the EIC's supervisor, will review, edit, and clarify the report as necessary.

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

Last updated January 4, 2021

[1]Credit union service organization
[2]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[3]Division of Special Actions or discretionary supervisory actions
[4]Examiner-in-charge
[5]Division of Supervision

CUSO Review Report Maintenance

E&I[1] will maintain a CUSO SharePoint site, which will serve as the central repository for all agency **CUSO**[2] reviews. E&I will organize CUSO reviews by EIN numbers, and will identify **CUSOs**[3] by name for ease of reference.

Once regional **DOS**[4] has distributed the final CUSO review report, DOS staff will upload a compressed file (zip file) of the review to the CUSO SharePoint site and send an email to _E&I Mail and to all other regional DOS mailboxes to alert them to the upload.

To ensure consistency, regional DOS will:

- Zip all CUSO review files so that only one file for each separate CUSO review is uploaded to the system
- Name the zip file as follows: YYYYMM_EIN, where 'YYYYMM' is the effective date (for example, a CUSO with an EIN of 987654 and an examination effective date of June 30, 2014 would be named 201406_987654.zip)

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

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

Last updated January 4, 2021

[1]Office of Examination and Insurance
[2]Credit union service organization
[3]Credit union service organization
[4]Division of Supervision

State Supervisory Authorities & CUSO Reviews

CUSO[1] reviews may be performed jointly with an **SSA**[2] or independently by an SSA. For joint reviews, the agency that initiates the review is typically in charge of the review.

SSAs[3] may conduct CUSO reviews and issue CUSO review reports independently, and may provide a copy of the review report directly to the NCUA regional offices.

For independent SSA CUSO review reports, a **DOS**[4] 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, **RD**[5], **ARDO**[6], and the **ARDP**[7] for comments. The DOS analyst will ensure the review report and comments are posted to the CUSO SharePoint site in the same manner as a review completed by the NCUA within 30 days of receipt. In addition the DOS analyst will provide a copy of the final SSA report and summary to regional **SEs**[8] and DSAs.

Last updated July 29, 2015

CUSO Review Templates

- **CUSO**[9] Pre-Review Letter
- CUSO Review Scope Workbook
- CUSO Financial Spreadsheet

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[1]Credit union service organization
[2]State Supervisory Authority
[3]State Supervisory Authority
[4]Division of Supervision
[5]Regional Director
[6]Associate Regional Director of Operations
[7]Associate Regional Director of Programs
[8]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[9]Credit union service organization

- CUSO Review Report
- Draft Report Cover Letter to CUSO
- Draft Report Cover Letter to **SSA**[1]
- Final Report Cover Letter to CUSO
- Final Report Cover Letter to Investors and Lenders
- Final Report Cover Letter to SSA

Last updated July 31, 2018

[1]State Supervisory Authority

Derivatives Authority

NCUA regulation part 703 Subpart B, Derivatives allows **FCUs**[1] to enter into derivative transactions exclusively to manage interest rate risk. FCUs with over $500 million in assets and a NCUA Management CAMELS component rating of 1 or 2 (notification credit unions) are required to notify the applicable **RD**[2] within five business days after entering into its first derivative transaction. All other FCUs are required to apply and obtain approval before engaging in derivatives (application credit unions).

NCUA regulation § 741.219(b) requires **FISCUs**[3] to notify the applicable NCUA RD in writing within five business days after entering into its first derivative transaction.

The standards in this section ensure the NCUA maintains consistent documentation for the administrative record.

Last updated March 25, 2022

Roles and Responsibilities

To ensure the quality and consistency of the agency's approval of derivatives applications and receipt/acknowledgement of derivative notifications, NCUA staff will perform the tasks outlined in this NSPM section. Staff will maintain administrative records and documents related to applications and notifications for all **FCUs**[4] and **FISCUs**[5] in the Derivatives Information Administration Log (DIAL), which is maintained on SharePoint.

- Regional Office Responsibilities
- Exam Staff Review Responsibilities
- Regional Director Responsibilities

[1]Federal credit union
[2]Regional Director
[3]Federally insured, state-chartered credit union
[4]Federal credit union
[5]Federally insured, state-chartered credit union

Regional Office Responsibilities

- Ensure credit union applications and notifications are processed as per NSPM instructions
- Create 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 FCUs
  - Notifications of derivative activity received from FISCUs, and FCUs with assets over $500 million with a NCUA Management CAMELS-component rating of 1 or 2
  - NCUA derivatives approvals granted, revoked, or denied
  - Supporting documentation for approvals and denials
  - Acknowledgments of credit union applications, notifications and appeals submitted to the NCUA
- Assign office staff to determine the eligibility for notification and completeness of derivatives applications
- Assign office staff to evaluate the safety and soundness of FCUs that apply for derivatives authority
- Notify FCUs of incomplete applications
- Notify FCUs of application approvals (**RD**[1])
- Assign regional **exam staff**[2] to each application
- Ensure systems and controls are in place to meet the standards of this section

[1]Regional Director

[2]"exam 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.

Exam Staff Review Responsibilities

The reviewer(s) includes at a minimum, a Regional Capital Markets Specialist, a **ONES**[1] Capital Markets Specialist, or a Capital Markets **SME**[2]. The reviewer (s) responsibilities include:

- Conduct a qualitative review of each assigned derivatives application consistent with the requirements of part 703, subpart B of the NCUA regulations
- Document the review using the Derivatives Authority Application Qualitative Review Checklist
- Recommend assigned derivatives application be approved, in part or in whole, or denied
- Coordinate approval recommendation to the RD

Regional Director Responsibilities

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

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Last updated March 25, 2022

Derivatives Application Review Procedures (Application Credit Unions)

Derivatives Authority

The NCUA processes applications for derivatives authority as described below. The regional office will consult with the appropriate **exam staff**[3] (District

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[1]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.

[2]Subject Matter Examiner

[3]"exam 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.

Examiner[1], Problem Case Officer, Examiner, and/or Specialized Examiner) as necessary to process an application for derivatives authority.

	Application / Processing Workflow	Primary Owner(s)
1.	Log and acknowledge the derivatives application.	**Regional office**[2]
2.	Initial application review.	
3.	Assign reviewer(s) for the derivatives application.	
4.	Review derivatives application and make a written recommendation to the Regional Director.	Reviewer(s)
5.	Approve or deny application and notify credit union.	**RD**[3]

Log and Acknowledge the Derivatives Application (Regional Office)

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

Once an application has been logged, the regional office will send a letter to the credit union to acknowledge the application. The region will acknowledge a derivatives application using the Acknowledge Application for Derivatives Authority template. The regional office will deliver the acknowledgment using the region's or **ONES**[4] preferred expedited mail delivery, and will provide a copy to:

- **CEO**[5]
- Exam staff (District Examiner, Problem Case Officer, Examiner, or Specialized Examiner)

[1]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.).
[2]"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.
[3]Regional Director
[4]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.
[5]Chief Executive Officer

- Exam supervisor (**SE**[1], National Field **Supervisor**[2], or Director of Special Actions)
- Reviewer(s)

Initial Application Review (Regional Office)

Within ten (10) calendar days of receiving an application for derivatives authority, the regional office will determine if the application is complete. If a credit union has submitted an incomplete package, the regional 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).

The RD will deliver the appropriate notice using the region or ONES's preferred expedited mail delivery, and will provide a copy to:

- CEO
- Exam staff (District Examiner, Problem Case Officer, Examiner, or Specialized Examiner)
- Exam supervisor (SE, National Field Supervisor, or Director of Special Actions)
- Reviewer(s)

Assign Reviewer(s) for the Derivatives Application (Regional Office)

For each application submitted by a **FCU**[3], the regional office will assign reviewers and forward the application materials for review. The review panel consists of at least one member. The table below contains additional information about the selected reviewer(s).

Employee	Role	Assigned by
At least one	Conducts qualitative review of each assigned	Regional

[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[2]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.).
[3]Federal credit union

Employee	Role	Assigned by
regional examiner [reviewer(s)]	derivatives application and makes joint recommendation to approve or deny derivatives authority	office or ONES

The regional office will provide the reviewer(s) 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 reviewer(s), the regional office will notify the following by email:

- Exam staff (District Examiner, Problem Case Officer, Examiner, or Specialized Examiner)
- Exam supervisor (SE, National Field Supervisor, or Director of Special Actions)
- Reviewer(s)

Review the Derivatives Application [Reviewer(s)]

The reviewer(s) document the review of a credit union's application for derivatives authority using an electronic copy of the Derivatives Authority Application Qualitative Review Checklist, maintained on the derivatives SharePoint site.

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

If the application is substantively incomplete, and the reviewer(s) is unable to contact the credit union directly, or a credit union is unable to provide requested materials, the reviewer(s) will coordinate with the regional 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).

Derivatives Authority

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

- CEO
- Exam staff (District Examiner, Problem Case Officer, Examiner, or Specialized Examiner)
- Exam Supervisor (SE, National Field Supervisor, or Director of Special Actions)
- Reviewer(s)

Once the application is complete, each reviewer(s) will document their review and recommendation to approve or deny the application using the Derivatives Authority Qualitative Review Checklist. Once completed, the reviewers will coordinate, if more than one reviewer, their joint recommendation with the exam supervisor and submit it to the regional office director. The RD 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:

Activity	Application Time Allotment, in Calendar Days
Confirm credit union eligibility and review credit union's safety and soundness (regional office)	10 days
Conduct and document qualitative review of application; document and route panel recommendation to approve or deny application to RD [reviewer(s)]	100 days
Make final determination of application approval or denial and notify credit union (RD)	15 days
TOTAL	Up to 125 days

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

Approve or Deny Application and Notify Credit Union (Regional Director)

After evaluating the recommendation of the reviewer(s), the RD will decide whether to approve or deny a credit union's application for derivatives authority. The regional office will notify a credit union of the agency's approval or denial for derivatives authority within 15 calendar days of receiving a recommendation from the reviewer(s).

The RD will send the appropriate notice listed below using the regional office's preferred expedited mail delivery, and will provide a copy to:

- CEO
- **E&I**[1] (Director of Capital Markets)
- Exam staff (District Examiner, Problem Case Officer, Examiner, or Specialized Examiner)
- Exam Supervisor (SE, National Field Supervisor, or Director of Special Actions)
- Reviewer(s)

NCUA issues approval

The RD will send the credit union a letter indicating the NCUA has granted derivatives authority (see the Approve Derivatives Authority template). This must indicate which derivatives product(s) and/or product characteristic(s) have been approved.

NCUA issues denial

The RD will send the credit union a letter indicating the NCUA has denied the application for derivatives authority (see the Deny Application for Derivatives Authority template). This letter must indicate the reason(s) for the denial and

[1]Office of Examination and Insurance

inform the credit union of the option to appeal the denial directly to the NCUA Board.

Last updated March 25, 2022

Derivatives Application Appeal Process

A **FCU**[1] may submit an appeal to the NCUA Board within 60 calendar days of receiving notification that the NCUA has denied derivatives authority. The denial letter provided by the NCUA will inform the credit union of its right to appeal the decision directly to the NCUA Board. NCUA staff will not discourage a credit union from filing an appeal.

A credit union must submit an appeal in writing. The request for appeal should address the specific reason(s) the NCUA should reconsider its decision and must include any relevant material previously submitted. For more information, see NCUA regulation part 746, Appeals Process.

The regional 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 Secretary of the Board will send a letter to the credit union to acknowledge the appeal (see the Acknowledge Appeal of Derivatives Authority template) and provide a status update.

The **RD**[2] will provide the Board an analysis of the appeal and recommend a disposition. The NCUA Board will evaluate the appeal and determine the appropriate action. The Board may request an analysis and recommendation regarding the appeal from **E&I**[3], 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 RD of its decision.

The Secretary of the Board will send the credit union a notice indicating the NCUA Board's decision. For a denial, the Secretary of the Board will send the credit union a letter indicating that the appeal has been denied (see the Deny Appeal for Derivatives Authority template). This notice must indicate the reason(s) for the denial.

[1]Federal credit union
[2]Regional Director
[3]Office of Examination and Insurance

The Secretary of the Board will send the notice using their preferred expedited mail delivery, and will provide a copy to:

- E&I (Director of Capital Markets)
- RD
- Regional **DOS**[1] mail
- **CEO**[2]
- Exam staff (District **Examiner**[3], Problem Case Officer, Examiner, or Specialized Examiner)
- Exam **Supervisor**[4] (Supervisory Examiner, National Field Supervisor, or Director of Special Actions)
- Reviewer(s)

Last updated March 25, 2022

Derivative Notification Procedures (FISCUs and FCUs with Assets over $500 million and a CAMELS Management Component Rating of 1 or 2)

The NCUA's derivative rule applies specifically to **FCUs**[5]. The process for a **FISCU**[6] to receive authority to use derivatives varies by state. A FISCU may have derivatives authority under a state parity provision or by following applicable state regulation with permission from the applicable **SSA**[7]. 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.

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[1]Division of Supervision

[2]Chief Executive Officer

[3]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.).

[4]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.).

[5]Federal credit union

[6]Federally insured, state-chartered credit union

[7]State Supervisory Authority

The NCUA's derivative rule allows FCUs with assets over $500 million and a CAMELS Management component rating of 1 or 2 (Notification FCUs) to notify the NCUA within five business days after they have entered into their first transaction.

All **FISCUs**[1] and Notification FCUs must notify the NCUA in writing within five business days of engaging in its first derivatives transaction. The NCUA Notification of Derivatives Activity outlines the information a FISCU and Notification **FCU**[2] must report in the notification. If this information is not received, the region will contact the credit union to obtain the necessary information.

A FISCU or Notification FCU must submit the required notification via electronic mail. The director of the applicable regional office (typically the **DOS**[3]) will coordinate the receipt and processing of notifications of derivatives activity received from a FISCU or Notification FCU and notify **exam staff**[4].

The NCUA will log and track each notification it receives from a FISCU or Notification FCU. 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 regional office. Also, the region will send the credit union an acknowledgement letter using the Acknowledge Notification of Derivatives Activity template.

The information reflected in DIAL is the NCUA's official record of the FISCUs or Notification FCUs that have notified the NCUA of their use of derivatives.

Negative Change in Condition, Regulatory Violations, or Unsafe and Unsound Condition

The NCUA's derivative rule addresses scenarios where an FCU must cease entering into new derivative transactions:

- NCUA regulation § 703.108(d), Change in condition, addresses a FCU's negative change in condition causing it to no longer meet the

[1]Federally insured, state-chartered credit union

[2]Federal credit union

[3]Division of Supervision

[4]"exam 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.

requirements of § 703.108(a), Notification, or the FCU renders its approved application inaccurate. The negative change in condition for Notification FCUs includes an asset decline below $500 million or a decline in NCUA Management CAMELS component below a 2. For Application FCUs, the negative change of condition may range from the FCU no longer employing qualified staff to transacting in non-approved derivative transactions.

- NCUA regulation § 703.109, Regulatory violation or unsafe and unsound condition, addresses a FCU's regulatory violations of unsafe and unsound conditions as determined by the **RD**[1].

Under the negative change in condition, the FCU must notify the applicable RD of the change in condition. Under the regulatory violation or unsafe and unsound conditions, the RD must provide the FCU with written notice of the regulatory violation or unsafe and unsound conditions.

In either case, the RD must determine if any remedial actions are required, and notify the FCU of the decision using the RD Change in Condition template or RD Regulation-Safety and Soundness template. The RD's actions may vary from no action (allow FCU to continue its derivative activities) to revoking the FCU's authority to engage in derivative transactions. A FCU may appeal the revocation decision in accordance with NCUA regulation part 746, Appeals Process.

Last updated March 25, 2022

Derivatives Monitoring and Controls

Regional Office Reporting Responsibilities

- Maintain a list of the derivatives authorities granted, revoked, and denied for **FCUs**[2] on SharePoint in the Derivatives Information Administration Log (DIAL). Notifications received from **FISCUs**[3] and Notification FCUs will also be logged and maintained in the DIAL on SharePoint.
- Maintain a list of **FISCU**[4] and Notification FCUs that have provided notification of their first derivative transaction.

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[1]Regional Director
[2]Federal credit union
[3]Federally insured, state-chartered credit union
[4]Federally insured, state-chartered credit union

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

Last updated March 25, 2022

Derivatives Authority Templates

General

- Acknowledge Application for Derivatives Authority
- Approve Derivatives Authority
- Derivatives Authority Application Qualitative Review
- Derivatives Information Administration Log (DIAL)
- NCUA Notification of Derivatives Activity
- Regional Director—Change in Condition
- Regulation—Safety and Soundness
- Respond to Incomplete Application for Derivatives Authority

Appeals

- Acknowledge Appeal
- Deny Appeal

Last updated March 25, 2022

Dishonesty, Fraud, and Insider Dealings

Black's Law Dictionary defines fraud as a "knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment."[1] While fraud may or may not result in a loss to a credit union, any unfair or unlawful gain or fraudulent activity should be stopped, investigated, and reported.

Roles & Responsibilities

This content is redacted.

Last updated August 17, 2021

[1]Black's Law Dictionary, 8th ed., s.v. "fraud."

Level 1 Fraud Response

This content is redacted.

Last updated August 17, 2021

Level 2 Fraud Response

This content is redacted.

Last updated November 09, 2021

Other Fraud Response

This content is redacted.

Last updated August 17, 2021

E&I-Directed Fraud Contact

This content is redacted.

Last updated August 17, 2021

Fraud Indicator Report

This content is redacted.

Last updated August 17, 2021

Fraud Hotline Investigations

This content is redacted.

Last updated August 17, 2021

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**[1] 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 **NCUSIF**[2].

Examination and Supervision Program

The standards established in the NSPM are designed to sustain a high-quality examination and supervision program that:

- Identifies and mitigates current and emerging risks to the NCUSIF
- Evaluates credit union compliance with applicable laws and regulations
- Initiates appropriate corrective actions supported by a sufficiently detailed administrative record
- Facilitates timely resolution of supervisory concerns

Supervision includes, but is not limited to:

- Examinations
- Insurance reviews

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[1]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.).
[2]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.

- Follow-up examinations
- Onsite contacts
- Offsite contacts
- Offsite monitoring
- Trending analysis (for example, Call Report/**FPR**[1] Trending)

Supervision efforts will vary depending on the size of the credit union, the risk to the NCUSIF, and other applicable circumstances.

Considerations Related to the Credit Union Diversity Self-Assessment (CUDSA)

The NCUA believes it is beneficial for credit unions to adopt practices that foster diversity, equity, and inclusion and encourages credit unions to complete the voluntary annual Credit Union Diversity Self-Assessment (CUDSA).

The purpose of the CUDSA is twofold. It is used to assess the aggregate diversity and inclusion practices of federally insured credit unions and develop a statutorily mandated report to Congress. The CUDSA is also used to identify ways the NCUA can continue to support credit unions' efforts to promote diversity, equity, and inclusion.

Examiners do not have access to the results of a CUDSA submitted by a credit union. Completion of the CUDSA is voluntary and not part of the examination and supervision process. Thus, as part of examining and supervising credit unions, examiners will not:

- Ask for a copy of any CUDSA the credit union has completed. If the credit union provides an unsolicited CUDSA, the examiner will not review the self-assessment and will refer the credit union to the Office of Minority and Women Inclusion (OMWI) at CUDiversity@NCUA.gov, 703-518-1650, or the NCUA's CUDSA website.
- Initiate a discussion about the CUDSA. If asked, examiners may note that it is the NCUA's policy to encourage credit unions to voluntarily complete the CUDSA, but it has no bearing on the examination or supervision of the credit union.

[1]Financial Performance Report

If a credit union has questions about the CUDSA, examiners should refer the credit union to the OMWI as noted above.

For credit unions eligible for the NCUA's small credit union and **MDI**[1] assistance programs, examiners should consult with their regional office. The region will coordinate with OMWI on any requests for assistance completing the CUDSA.

Last updated June 23, 2023

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
- Exam Staff Responsibilities

Last updated July 29, 2015

E&I Responsibilities

E&I[2] 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 **NCUSIF**[3]

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[1]Minority Depository Institution
[2]Office of Examination and Insurance
[3]The National Credit Union Share Insurance Fund is also referred to as 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 CAMELS 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.

Last updated January 27, 2016

Regional Director Responsibilities

RDs[1] are responsible for mitigating losses to the NCUSIF, identifying emerging risk trends, and taking proactive steps to correct problems. In addition, RDs are responsible for measuring and monitoring the regional examination program for quality and completeness, as well as adherence to established standards including CAMELS and risk ratings. They will work with supervisors to ensure appropriate specialized resources are provided for institutions that represent a significant risk to the NCUSIF. RDs will report quarterly to E&I regarding the status of their examination programs including adherence to examination and supervision standards.[2]

The **RD**[3] is also responsible for monitoring and evaluating overall supervision efficiency, effectiveness, and timeliness. The RD will monitor supervision efforts through the quality control review process and various available reporting tools, including self-designed monitoring reports. He or she will report on their high-risk credit unions via the monthly management report, High Risk Pipeline Reports and other methods as they become available.

Last updated July 29, 2015

Supervisor Responsibilities

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

[1]Regional Director

[2]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.

[3]Regional Director

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

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

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 NCUSIF.

Supervisors will use a variety of tools (including, but not limited to, **MARS**[1], risk reports, Call Reports, and regional reports) to ensure assigned credit unions receive the proper results-oriented supervision on a timely basis. Supervisors will be responsible for reporting on the highest risk credit unions in their group to their regional office on a regular predefined interval using established forms, methodologies, and systems (for example, High Risk Pipeline Reports, critical cases, etc.).

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

- Whether the work can be effectively accomplished offsite
- If the proposed alternate worksite is suitable (such as the work can be done in accordance with agency data security requirements)
- Any developmental or supervisory oversight needs for the examiner

[1]Management Automated Resource System

- The needs of the **EIC**[1] in conducting and managing a team exam
  - For team exams, supervisors will consult with the EIC before approving any requests of team members to work offsite. Supervisors will make the final determination regarding whether to approve offsite work.

Supervisors will not require employees to work at their residence, incentivize staff to work offsite, or penalize employees for not volunteering to work offsite. Supervisors may direct **exam staff**[2] to work onsite at a credit union, and may direct exam staff to work from a suitable alternate location (that is, not the credit union) other than their residence.

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

Last updated March 4, 2019

Exam Staff Responsibilities

Examiners[3] are responsible for effectively managing risk within their districts and mitigating losses to the NCUSIF. Examiners will schedule examinations and supervision contacts based on identified and emerging risks and in accordance with this manual. Examiners will complete examinations or supervision contacts per the NSPM, the Examiner's Guide, and MERIT NCUA and **SSA**[4] User Guide standards, as well as other applicable references including CAMELS and risk ratings with the focus on timely correction of identified problems. For CCU examinations, refer to the Corporate Exam Work Center Manual.

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

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[1]Examiner-in-charge

[2]"exam 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.

[3]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.).

[4]State Supervisory Authority

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

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

Examiners are responsible for supervising assigned credit unions through:

- Conducting ongoing, results-oriented examination and supervision contacts
- Writing Call Report Risk Reviews based on national risk reports
- Analyzing **FPRs**[1]
- 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:

[1]Financial Performance Report

- CAMELS 3 credit unions that have more than $250 million in assets
- All CAMELS 4/5 credit unions
- Credit unions that require a 90-day follow up for significant record-keeping concerns

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Last updated February 9, 2017

Examination and Supervision Budgeting

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

Each year, **E&I**[1] issues workload budgeting instructions and guidance for the subsequent year. Regions then provide guidance to **exam staff**[2].

Examiner

The budgeting process begins with examiners. **Examiners**[3] will follow the instructions provided by the region for the annual budget process. Examiners are responsible for using historical knowledge of the credit union, **MARS**[4], or the Future Projected Supervision Hours located in the Examinable Entity Form in MERIT to view previously recommended examination/supervision hours for each district credit union. For **ONES**[5]-supervised credit unions, examiners will use the most recent Supervision Plan or other historical information.

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

Examiners will also recommend specialized resources in consultation with their supervisor when the size, complexity, or potential risk to the **NCUSIF**[6]

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[1]Office of Examination and Insurance

[2]"exam 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.

[3]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.).

[4]Management Automated Resource System

[5]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.

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

warrants the use of specialized expertise (for example, regional office/ONES staff, central office staff, **AMAC**[1], outside contractors).

Examiners will consult with their supervisor during the year if conditions warrant changes to the examination budget. Specifically, examiners should contact their supervisor if they need additional time to complete an examination, supervision contact, review of a state exam, **RATE**[2] review, or any other examination or supervision-related activity .

Supervisor

Supervisors are responsible for:

- Managing resources on an ongoing basis throughout the year to ensure the proper development of examiners and completion of program including the resolution of identified problems
- Managing resources to effectively supervise credit unions in their group
- Using sound judgment to approve reasonable examiner requests for additional time to complete examination and supervision-related activities
- Evaluating the annual budget recommendation for the group after consulting with district examiners
- Monitoring and reconciling group budgets monthly using the MARS online system and according to ARD direction
- Reporting the group program status, variances, and shortfalls to the ARD monthly; adjusting budgets or requesting assistance when group resources are not sufficient to complete the examination program or as conditions warrant
- Submitting the annual resource budget for their assigned credit unions to the ARD, using the information examiners have provided. The process will include an analysis of the level of supervision, timing of exams, balancing of the year-to-year workload, and coordination with the state supervisors for **FISCUs**[3] (to the extent possible)

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[1]Asset Management Assistance Center
[2]Risk Analysis and Trending Evaluation
[3]Federally insured, state-chartered credit union

Regional Director / Associate Regional Director

ARDs are responsible for managing the regional resources budget and keeping the **RD**[1] informed of the status of regional examination/supervision programs. ARDs will reallocate regional resources and coordinate with the other ARDs and the RD to secure assistance when group resources are not sufficient. ARDs will ensure all workload budgets are reconciled by the 15th of each month. The RD will notify E&I if they anticipate the region will not be able to meet examination or supervision requirements.

E&I

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

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

Last updated February 2, 2023

Scheduling Examinations and Contacts

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

Because financial data in MERIT is on a calendar quarter-end basis, examinations and supervision contacts should generally be performed with a calendar quarter-end effective date. However, MERIT will not allow two of the

[1]Regional Director

same type of contacts to share the same effective date. Thus, **exam staff**[1] may perform a supervision contact on a non-calendar quarter-end effective date when two contacts are performed within short timeframes of each other.

The **start date for an exam** is the first date exam staff charge time to **WCC**[2] 10 or WCC 11 (when conducting exam work either onsite or offsite). Exam staff must ensure the start date entered into the Milestones section in MERIT is consistent with this definition.

Last updated February 2, 2023

Examinations

FCUs

Examinations for **FCUs**[3] eligible for an extended cycle will have a start date 14-20 months from the completion date of the last examination. Examinations for all other FCUs will have a start date of 8-12 months from the completion date of the last examination.

An **FCU**[4] is eligible for an extended examination cycle if it meets all of the following criteria as of the last examination:

- CAMELS code 1 or 2, both in the composite and the management rating component
- Assets less than $1 billion
- "Well capitalized" per PCA regulations
- No outstanding DOR items related to significant recordkeeping deficiencies, and
- Not operating under a formal or informal enforcement or administrative order such as a cease and desist order, **LUA**[5], **PWL**[6], or **PCA**[7] directive

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[1]"exam 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.
[2]Work Classification Code
[3]Federal credit union
[4]Federal credit union
[5]Letter of understanding and agreement
[6]Preliminary Warning Letter
[7]Prompt Corrective Action(s)

E&I[1] measures compliance with examination scheduling based on a credit union's eligibility as of the last examination. If a credit union's eligibility for an extended cycle changes subsequent to an examination (for example, the CAMELS rating is downgraded or upgraded, or the net worth ratio falls below seven percent), exam staff will discuss supervision plans with their supervisor. If supervision is warranted earlier than originally planned, exam staff will consult their supervisor and conduct onsite supervision or request a waiver to start the examination earlier than the applicable minimum timeframe since the last examination.

Small credit unions that have limited segregation of duties and are otherwise eligible for an extended exam cycle may be examined more frequently on a random-sample basis.

FISCUs

A **FISCU**[2] that meets any one of the following criteria as of the last examination will receive an NCUA examination with a start date 8-12 months from the completion date of the last NCUA examination:

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

All other **FISCUs**[3] 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 NCUA's overall due diligence. Regions will examine each FISCU at least once every five years.

The NCUA will make every effort to conduct examinations of FISCUs jointly with the **SSA**[4], as long as the time between examinations does not exceed the NCUA's needs as insurer. Generally, the NCUA will only conduct an independent insurance review when a joint examination cannot be coordinated with the SSA. If the NCUA supervisor and SSA cannot reach an agreement regarding scheduling timeframes, the NCUA supervisor will contact the ARD.

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[1]Office of Examination and Insurance
[2]Federally insured, state-chartered credit union
[3]Federally insured, state-chartered credit union
[4]State Supervisory Authority

The ARD will discuss the concerns with the SSA and make necessary arrangements for a joint follow-up exam or an independent NCUA contact.

When a joint exam is not possible, exam staff will document the reason(s) and the efforts made to coordinate a joint examination with the SSA in the Closed Information Questionnaire.

ONES Credit Unions

All corporate credit unions must be examined once each calendar year, regardless of asset size. The maximum time between completion dates is 12 months, unless the **ONES**[1] deputy director approves an extension.

ONES determines the appropriate examination and supervision schedule for its natural person credit unions through the supervision planning process.

Scheduling Requirements Variance Request

To examine a credit union more or less frequently than required by the criteria established in this section of the NSPM, exam staff will submit a written variance request to the field supervisor for consideration. Exam staff will document their justification for any variance request and any related approval or denial in the Closed Information Questionnaire.

Field Supervisors may approve or deny, in writing, requests that are up to 30 days from the timeframes outlined in the examination scheduling requirements. However, the ARD may still require a field supervisor to notify them of any variations approved under this authority.

For example, a field supervisor may approve a request to start an examination up to 30 days before the 14-month minimum start date for a credit union that qualifies for the extended examination cycle. Similarly, a field supervisor may approve a request to start an examination up to 30 days after the 12-month start date requirement for a credit union that does not qualify for the extended examination cycle.

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

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[1]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.

ARDs must approve or deny, in writing, variance requests that are greater than 30 days from the examination scheduling required timeframes.

Follow-up Exams

Follow-up exams are more comprehensive than other onsite supervision contacts and require a more in-depth analysis to support the CAMELS ratings and administrative action recommendations.

FCUs

Exam staff will use judgment to determine, on a case-by-case basis, the completion requirements for any FCU meeting the completion timeframe criteria in the table below and will tailor supervision needs to each credit union. **RDs**[1] and supervisors may require more frequent completion timeframes or supervision plans for specific risks in a specific credit union.

At a minimum, exam staff will perform a follow-up examination during the following intervals (from completion date to start date):

Credit Union Description	Follow-Up Exam Timeframes
FCU CAMELS 3 < $50 million	Follow-up exam or onsite supervision contact at discretion of **RD**[2]
FCU CAMELS 3 > $50 million	Follow-up examination at least every 180 days
FCU CAMELS 4 or 5 < $50 million	Follow-up exam or onsite supervision contact at least every 210 days
FCU CAMELS 4 or 5 > $50 million	Follow-up exam at least every 120 days

A composite CAMELS 3, 4, or 5 FCU with less than $50 million in assets may receive an onsite supervision contact instead of a follow-up exam. The supervision contact or follow-up exam must follow the scheduling timeframes in the above table. If **BSA**[3] or recordkeeping issues are present, however, follow the timeframes for those onsite contacts. Unless all outstanding **DOR**[4] items and elevated risk areas receive a full review, this will not meet the follow-up exam requirement.

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[1]Regional Director
[2]Regional Director
[3]Bank Secrecy Act
[4]Document of Resolution

FISCUs

At a minimum, NCUA exam staff will perform a follow-up examination at the following intervals (from NCUA completion date to NCUA start date):

Credit Union Description	Follow-Up exam timeframes
FISCU CAMELS 3 > $250 million	Follow-up examination at least every 180 days
FISCU CAMELS 4 or 5 > $250 million	Follow-up examination at least every 120 days

In FISCUs with less than $250 million in assets, the RD may determine the timeframe for a follow-up examination and establish an alternate schedule based on regional risk priorities and risk to the **NCUSIF**[1].

The NCUA **EIC**[2] or Field **Supervisor**[3] will coordinate with the SSA to schedule follow-up examinations. The NCUA, however, may perform independent follow-up exams when necessary due to scheduling issues.

If the NCUA supervisor and SSA cannot reach an agreement regarding scheduling timeframes, the NCUA supervisor will contact the ARD, who will discuss the concerns with the SSA and make necessary arrangements for a joint follow-up exam or an independent NCUA contact.

Timeframe Exceptions for Follow-Up Examinations

Exam staff will consult their supervisor and request an extension via email if they cannot complete a follow-up examination (or onsite contact when permitted) within the required timeframe:

Credit Union Description	Extension Guidelines
FCU CAMELS 3 > $50 million	Supervisors may approve extensions up to 240 days.
FISCU CAMELS 3 > $250 million	ARDs must approve any extension greater than 240 days.

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

[2]Examiner-in-charge

[3]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.).

Credit Union Description	Extension Guidelines
	All extension requests, approvals, and denials must be in writing. Any request for an extension will describe how it will result in undue risk.
FCU CAMELS 4 or 5 >$50 million FISCU CAMELS 4 or 5 > $250 million	ARDs must approve any extension. All extension requests, approvals, and denials must be in writing. Any request for an extension will describe how it will not result in undue risk.
FCU CAMELS 4 or 5 < $50 million	No extension of the 210-day timeframe.

Any approvals to exceed the required timeframes require the supervisor or ARD, as applicable, to forward their approval via email to **DOS**[1] with supporting justification. All timeframe extension approvals will include a projected completion date. The completion date is the day exam staff last charged time to the examination or supervision contact.

Onsite Supervision Contacts

An onsite supervision contact is more limited in scope than a follow-up examination. Exam staff 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, or to review a credit union's compliance with a DOR. In FISCUs, onsite contacts may also be for 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.

Exam staff will perform onsite supervision contacts as needed between regular or follow-up examinations based on the nature and severity of problems or as their supervisor requires. The EIC and supervisor, in consultation with the ARD, will determine the frequency and timing of onsite supervision contacts.

For FISCUs, the NCUA EIC or field supervisor will coordinate with the SSA as appropriate. The NCUA considers the timing of the next SSA examination when scheduling onsite supervision. However, if a timely joint contact is not possible, the NCUA may need to make an onsite contact independent of the SSA. The NCUA supervisor is responsible for contacting the SSA if onsite

[1]Division of Supervision

supervision is necessary before the next scheduled examination. If the NCUA supervisor and SSA cannot reach an agreement regarding necessary action, the supervisor will contact the **ARDP**[1] who will further discuss the concerns with the SSA and make necessary arrangements either for a joint contact or an independent NCUA contact.

The NCUA supervisor is responsible for contacting the SSA if onsite supervision is necessary before the next scheduled examination. If the NCUA supervisor and SSA cannot reach an agreement regarding necessary action, the supervisor will contact the ARD who will further discuss the concerns with the SSA and make necessary arrangements either for a joint contact or an independent NCUA contact.

Recordkeeping Contacts

Credit unions with significant recordkeeping concerns require an onsite supervision contact focused on ensuring adequate attention to and correction of problems. Exam staff must conduct an onsite supervision contact within 90 days of the NCUA's last contact completion date and an onsite supervision contact every 90 days thereafter, until all problems are resolved. The field supervisor must approve any extension beyond 90 days in writing and notify the ARD and DOS. Exam staff will document any extension requests and approval or denial in the Closed Information Questionnaire.

For FISCUs, 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. See the Significant Recordkeeping Concerns section of the NSPM for additional guidance for performing supervision contacts for credit unions that have significant recordkeeping concerns.

Offsite Supervision Contacts

Offsite supervision is discrete supervision or district management activities that are not part of an examination or onsite supervision contact. Offsite supervision contacts are generally very limited in scope, and are conducted somewhere other than at a credit union (for example, following up on a DOR by phone or e-mail, reviewing a credit union's response to a DOR, reviewing monthly board packages, or other correspondence with a credit union). Exam

[1]Associate Regional Director of Programs

staff will not change a credit union's CAMELS ratings during an offsite supervision contact.

Exam staff will not use offsite supervision for substantive work that is completed as part of an examination or onsite supervision contact, even if the work is completed offsite.

Exam staff will schedule offsite supervision as necessary to appropriately supervise district credit unions.

Monitoring and Reporting

E&I

E&I oversees the exam and supervision scheduling program for consistency and quality. This includes monitoring examination completion averages and analyzing examinations completed outside of the minimum and maximum parameters.

Each region will establish monitoring procedures for examinations and supervision completion and timeframe extensions, until a national system is developed and implemented. ARDs will review the applicable report(s) and share them with the field supervisors to evaluate appropriateness and timeliness of exam and supervision completion to ensure a quality and timely supervision program.

Exam Staff

Exam staff will monitor and supervise federally insured credit unions consistent with their size, complexity, condition and timing of the next examination. Periodically, but at least quarterly, exam staff will re-evaluate their supervision plans for each assigned credit union based on current information and update the NCUA Projected Future Contact Hours section of the Examinable Entity Form, as necessary.

Exam staff may change their exam and supervision plans at any time if circumstances warrant, after consulting with the assigned field supervisor.

Supervisors

Supervisors will monitor exam staffs' 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. Supervisors will record and report the scheduling information for their assigned credit unions as changes are made during the year.

Regional Office

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

ARDs are responsible for monitoring examination timeframes and reporting their region's examination scheduling program. ARDs will evaluate information submitted by field supervisors for reasonableness and ensure it accurately reflects the region's examination scheduling needs and risk profile.

Last updated March 25, 2022

Examination and Supervision Planning

Effective examinations require advance planning. Exam staff should scope risk-focused examinations properly so they can allocate sufficient resources based on the level and type of risk present in a credit union.

> Proper planning before starting an examination creates a good working relationship with credit unions and fosters effective communication among NCUA and credit union staff. Planning reduces frustration for credit union staff and reduces time spent gathering unnecessary information.

When planning a **FISCU**[1] exam, NCUA **exam staff**[2] coordinates with the **SSA**[3] to ensure the exam complies with the NSPM. This includes coordinating with the SSA on the planned scope and coordination between specialists scheduled for the exam (for example, not duplicating requests on the Document Request List), to the maximum extent possible. **EICs**[4] should also inquire and discuss any changes since the preceding exam with the SSA during the planning process.

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[1]Federally insured, state-chartered credit union

[2]"exam 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.

[3]State Supervisory Authority

[4]Examiner-in-charge

Pre-Exam Planning

Pre-exam planning is required for each examination (**WCC**[1] 10 or 11). Exam staff will use WCC 94 (for **FCUs**[2]) or WCC 95 (for **FISCUs**[3]) to capture time spent on pre-exam planning activities in TMS. These hours are separate from, and in addition to, the budgeted hours for examining a credit union.

Exceptions to the budgeted pre-exam planning time must be approved in writing by a supervisor, in advance, and documented in the Closed Information Questionnaire. Exam staff will document their pre-exam planning activities and the hours in MERIT's Pre-Exam Planning Procedures scope task.

Exam staff will start the pre-exam planning process by creating an examination in MERIT and completing the steps outlined in the Pre-Exam Planning Procedures scope task and the Pre-Exam Planning Job Aid.

Notify Credit Union of an Exam/Contact

When the NCUA is leading an examination, examiners provide as much advance notice as possible before starting an examination or onsite supervision contact. Unless fraud is suspected or other special circumstances exist, NCUA exam staff provide credit union officials at least four weeks' notice.

With supervisory approval, exam staff may start an examination or onsite supervision contact without providing notice to the credit union when the **EIC**[4] plans to conduct a surprise contact or when supervisory timeliness is warranted.

Regional management must approve notification periods shorter than four weeks. Each region will specify at what level management approval is required. Exam staff will document approval in the Closed Information Questionnaire.

Exam staff do not need credit union approval to schedule an exam, but whenever possible, the NCUA should reach agreement to minimize disruption to a credit union and to ensure critical staff members are available while examiners are on site.

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[1]Work Classification Code
[2]Federal credit union
[3]Federally insured, state-chartered credit union
[4]Examiner-in-charge

Document Requests

As part of the notification process, exam staff provide the appropriate Exam Notification Letter and document request list. When the credit union is a MERIT user and willing to use the survey functionality, exam staff should provide this using MERIT's survey function. If the credit union does not use MERIT, exam staff may send the document request list found in the Exam Notification Letter (within the MERIT Job Aid Repository) to the credit union through e-mail or the NCUA's SFTP.

Exam staff customize the items requested to include only those items necessary to address the scope and risk profile for each examination or contact.

The EIC coordinates with team members and specialists to minimize duplication in requested items. For example, only one team member should request monthly Board Packets, even though multiple team members may review these for items related to their review area.

For joint FISCU exams, the NCUA EIC should make every effort to coordinate with the SSA EIC to provide an all-inclusive document request list to the FISCU with as much advance notice as possible.

Exam staff provide the Exam Notification Letter and document request list to a credit union no less than four weeks before the actual start date of the exam or contact, whether the start date will be onsite or offsite.

> If a document request list is not provided to the credit union as a survey in MERIT, the EIC must attach a copy of the customized document request list to the exam or contact so it becomes part of the administrative record. When using MERIT's survey function to request and receive items, exam staff will not request a credit union to send **CTRs**[1], **SARs**[2], or other highly confidential information using MERIT. Exam staff will comply with the latest version of NCUA Instruction 13500.09, Security of Sensitive Information.

Management Questionnaire

As part of examination planning, exam staff will provide the Management Questionnaire to the credit union for completion at the same time as the Document Request List, at least four weeks before the exam. Exam staff will

[1]Currency Transaction Report
[2]Suspicious Activity Report

provide the appropriate RFE or **SCUEP**[1] version using the survey function in MERIT if the credit union is a MERIT user. If the credit union is not a MERIT user, exam staff will send the appropriate RFE or SCUEP Management Questionnaire Word document (found in the MERIT Job Aid Repository) to the credit union through e-mail or the NCUA's SFTP.

Exam staff will select a response date before the start of the exam, typically one or two weeks in advance. This will allow adequate time for exam staff to review the responses and determine if any scope changes are necessary.

For joint FISCU exams, the NCUA EIC should ask the SSA EIC if the SSA already uses a similar questionnaire before sending the NCUA Management Questionnaire to the credit union. If the SSA has a similar questionnaire, it can be used instead of the NCUA Management Questionnaire. If the SSA lacks a similar questionnaire, examiners should coordinate with their SSA counterpart to send the NCUA Management Questionnaire, so management completes only one questionnaire per exam. Talk with your supervisor if you are unsure whether an SSA's questionnaire is similar.

Exam staff will document the results of their review of the Management Questionnaire, including any clarifications about management's responses, in the pre-exam planning scope task. Since this questionnaire will serve as an official administrative record, exam staff may not edit the credit union's responses or complete the questionnaire on behalf of the credit union.

The questionnaire must be preserved exactly as it was received from the credit union to maintain evidentiary value in any future proceedings.

Exam staff will attach a copy of the completed questionnaire to the Exam Form>Documents section before closing the exam if the credit union completes a Word version of the questionnaire (versus the MERIT survey). If the credit union submits more than one version of the questionnaire, examiners should upload each version and note which version was the final one submitted. This will ensure all versions are captured as part of the administrative record. If the credit union uses the survey functionality in MERIT, the questionnaire with management's responses is already saved to the exam.

If the credit union has not returned the questionnaire by the first day of the exam, ask relevant questions from the questionnaire that day to determine if there are any material supervisory concerns or red flags. Based on the credit

[1]Small Credit Union Examination Program

union's responses, you may consider changing the scope, transaction testing samples, or talking with your supervisor if you identify significant risks or red flags. Notate the credit union's answers to any questions or their refusal to respond in the pre-exam planning scope task.

Credit Union Virtual Private Network Access

Exam staff may use a credit union's Virtual Private Network (VPN) to access information needed to perform the examination. To access the credit union's VPN, exam staff should do the following:

1. Discuss the business need and obtain supervisor approval.
2. Obtain the required information from the credit union to complete the 3rd Party VPN Request Form.
3. No less than 10 business days before the requirement, submit an External VPN Access Request to the OneStop Help Desk via OneStop@n-cua.gov with the business need and include their supervisor's approval for examination-based external VPN access. Exam staff should copy their supervisor on this request.
4. Once approved, OneStop will contact the examiner to install the VPN software. **Examiners**[1] must adhere to Instruction 13500.15, Acceptable Use Policy, and perform the following steps and protocols:
   a. If instructed by OneStop, disconnect from the NCUA's VPN (while disconnected, do not access websites, other programs, or systems).
   b. NCUA Examiners may:
      i. Connect to the MERIT web-based application using the Internet or the offline Briefcase;
      ii. Leverage GlobalScape, the NCUA Secure File Transfer Portal solution, to transfer and receive large files securely; and
      iii. Provide their publicly accessible IP address to be whitelisted so they can access the **CU**[2] files.
   c. Upon disconnecting from the credit union's VPN, immediately reboot your computer and reconnect to the NCUA's VPN.

[1]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.).
[2]Credit union; credit unions

d. Do not install unapproved customer or partner software on NCUA devices.

e. Follow all instructions provided by the NCUA Security Operations Center or Computer Security Incident Response Team if contacted.

Contact OneStop if you have any questions.

Last updated February 2, 2023

Examiner Work Allocation

The NCUA distributes examination and supervision work among examiners to maximize flexibility as work is assigned and developmental opportunities are available. The NCUA follows OPM standards by limiting work that an employee at a specific grade performs to tasks and activities that are grade-appropriate at least 75 percent of the time.

Employees may perform work at a higher grade level up to 25 percent of their total time, according to OPM standards.[1] As such, non-**PEs**[2] may spend no more than 25 percent of total work time each calendar year in charge of *large, complex, difficult, or sensitive credit union work*, which is defined as:

WCC[3]	**Work Conducted**
05-Lending Specialists 07-Capital Market Specialist 08-**SME**[4] Special Program Time 19-**ISO**[5]/NPS/NISO Time 12-Examination Corporate **FCU**[6] 13-Examination Corporate	All

[1]See Introduction to the Position Classification Standards, TS-134 July 1995, TS-107 August 1991. U.S. Office of Personnel Management.
[2]Principal Examiner
[3]Work Classification Code
[4]Subject Matter Examiner
[5]Information System Officer
[6]Federal credit union

SCU 35-**SE**[1]/**DSA**[2] Details 40-OJT SME Trainer (non-PEs are not authorized to charge time to this WCC)	
29-**CUSO**[3] Reviews 24-Vendor Reviews 50-Conservatorship Administration FCU 51-Conservatorship Administration **FISCU**[4] 90-Fraud Supervision On-site - FCU 91-Fraud Supervision On-site - FISCU 96-Consumer Compliance Priorities FCU 97-Consumer Compliance Priorities FISCU	Time as **EIC**[5]
10-Examination FCU – Regular 11-Examination FISCU – Regular 15-Examination **NFICU**[6] 20-5300 Program FCU	Time as EIC or district examiner for credit unions that are at least one of the following as of the effective date of the exam or contact: • CAMELS composite 4 or 5 with assets greater than $25 million • CAMELS composite 3 with assets over $50 million

[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[2]Division of Special Actions or discretionary supervisory actions
[3]Credit union service organization
[4]Federally insured, state-chartered credit union
[5]Examiner-in-charge
[6]Non-federally insured credit union

21-5300 Program SCU 22-Supervision On-site – FCU 23-Supervision On-site – FISCU 26-Review of State Examinations 27-Supervision Off-site – FCU 28-Supervision Off-site – FISCU 94-Pre-Exam Planning FCU 95-Pre-Exam Planning FISCU	• $100 million or more in assets

Only examiners at the **CU**[1]-09 grade or higher may be district examiner or EIC of a credit union that would result in the assignment of *large, complex, difficult, or sensitive credit union work*. **Examiners**[2] at the CU-09 grade or lower may participate on examinations and supervision contacts for a credit union that is *large, complex, difficult, or sensitive credit union work*, but may not be EIC or assigned district responsibility.

If a credit union is classified as *large, complex, difficult, or sensitive credit union work* after being assigned to an examiner at the CU-09 grade or lower, the supervisor must reassign the credit union to an examiner at the CU-09 grade or higher. If the change in classification is due to an examination or contact in process (for example, downgrade of the CAMELS composite rating), the district reassignment may occur after the examination or contact is completed.

Temporary exceptions to this policy may be allowed in the event of a systemic, non-recurring agency need (for example, a natural disaster or widespread economic disruption) or an unexpected change in circumstances for an individual

[1]Credit union; credit unions

[2]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.).

(for example, a change in the assets or CAMELS composite rating that occurred after the exam or contact was initiated, causing the individual to exceed the limit). Exceptions must be authorized by the **ED**[1].

Last updated August 21, 2020

Concentration Risk Reviews

The NCUA's Letter to Credit Unions, 10-**CU**[2]-03, Concentration Risk (March 2010), defines concentration risk as "any single exposure or group of exposures with the potential to produce losses large enough (relative to capital, total assets, or overall risk level) to threaten a financial institution's health or ability to maintain its core operations."

[redacted]

[redacted][3] [redacted][4] [redacted][5] [redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]

[1]Executive Director
[2]Credit union; credit unions
[3][redacted]
[4][redacted]
[5][redacted]

- [redacted]
- [redacted]

Roles

E&I

E&I is responsible for monitoring concentration risk patterns and trends, and the supervision of credit concentration risk. E&I will evaluate compliance with this section during routine monitoring of cases, quality assurance reviews, and reviews of information submitted on required reports. During periodic updates of the NSPM, E&I will solicit comments from other offices to ensure standards remain current and effective.

Regional Office

Regional offices are responsible for having systems and controls in place to ensure this section's standards are met. When reviewing work related to this section's standards, regional processes must ensure quality work and accurate administrative records are maintained for concentration risk related reviews. **DOS**[1] is responsible for monitoring risk institutionally and on a regional basis.

Supervisor

Supervisors are responsible for reviewing and ensuring staff performs quality work that follows the standards of this NSPM section. Supervisors are responsible for reviewing and approving work for completeness and accuracy before submission to the regional office. **Supervisor**[2] approval becomes part of the credit union's administrative record. Supervisors are responsible for monitoring risk on an institutional and group basis.

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[1]Division of Supervision

[2]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.).

Exam Staff

Examiners[1] are responsible for evaluating credit unions' concentration risk and identifying potential safety and soundness issues when completing loan concentration risk outlier reviews, supervision work, and performing examinations. The Concentration Risk Job Aid is a resource available in MERIT to assist in evaluating concentration risk.

Examiners will create an administrative record of recommendations made and actions taken in meeting the national standards set forth in this NSPM section. These standards will ensure quality work and consistent administrative record documentation.

Responsibilities

Exam Staff

- Schedule an examination or supervision contact for credit unions that appear on the LCRO Report as of the September 30 Call Report data
    - The examination or supervision contact must be completed by the following calendar year-end.
- Properly identify, document, and address credit concentrations through the examination and supervision process
- Properly identify emerging trends in concentration risks through the RATE and/or RADAR review process using available tools that include, but are not limited to, quarterly LCRO Reports
- Assess the need for additional resources to review concentration risk through the examination or supervision process
    - Examiners should ask their supervisor to request additional resources, as needed.
- Assess the credit, liquidity, transaction, and strategic risks related to credit concentrations and document these reviews in the appropriate scope sections
- Develop appropriate corrective actions when concentration risks are unacceptable or mismanaged

[1]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.).

- Complete an LCRE form for credit unions that appear on the annual LCRO Report
  - Submit all draft **LCRE**[1] forms to the supervisor for review within five business days of the close of examination fieldwork.
  - Attach the final management approved LCRE form to the Closed Information Questionnaire scope task of the associated examination or supervision contact.
    - For **FISCU**[2] joint exams, if an **SSA**[3] closes the exam before all LCRE form approvals are obtained, the LCRE form should be included in the MERIT 3.1 Review of State Exam.
  - Examiners will not close the examination or supervision contact until the final LCRE form is returned from the appropriate reviewing party.
  - Examiners may not hold a joint conference or issue the exam or supervision contact report until the appropriate reviewing party returns the final LCRE form.
  - Obtain appropriate supervisory approval as required in the District Management >Administrative Items >Exam Timeframes and Limits NSPM section if it is not possible to complete and close the examination or supervision contact within the required timeframe because additional LCRE form review is necessary.

Supervisor

- Ensure **exam staff**[4] schedules an examination or supervision contact for credit unions that appear on the LCRO Report generated based on September 30 Call Report data
  - The credit union asset size at the LCRO Report effective date will establish the required "Level of Review" in the LCRE form.
  - The examination or supervision contact must be completed by the following calendar year-end.

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[1]Loan Concentration Risk Evaluation

[2]Federally insured, state-chartered credit union

[3]State Supervisory Authority

[4]"exam 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.

- As part of the PSR process, ensure examiners review and assess concentration risk
- Ensure examiners address unacceptable concentration risk levels in the examination report and recommend escalated administrative action when necessary
- Approve sufficient resources to address concentration risks through examinations or supervision contacts
- Ensure examiners assess and document changing concentration risks during the RATE and/or RADAR review process
- Review and determine whether to concur with the examiner's conclusion for credit unions that trigger the LCRO thresholds. Complete the review within 10 business days of receiving an LCRE form from an **EIC**[1]
- Submit all completed LCRE forms to DOS to document the review for the region's records.
    - The management review of the LCRE form may be completed by initiating the **PSR**[2] survey in MERIT, noting the exam or supervision contact includes the draft form requiring review and approval.
    - For a credit union that has total assets of $250 million or less, return final LCRE form to examiner.
    - If a credit union exceeds $250 million, DOS will submit the LCRE forms to regional management for review and concurrence.

Director of Supervision

- Ensure concentrations of credit are addressed through the quality control process (for example, PSR, or QCR)
- Collect all LCRE forms
    - The credit union asset size at the LCRO Report effective date will establish the required "Level of Review" in the LCRE form.
    - For a credit union that has total assets of $250 million or less, document the review for the region's records.
    - For a credit union with total assets exceeding $250 million:

[1]Examiner-in-charge
[2]Pre-release secondary review

    - Review and analyze the LCRE form and field's recommendation to ensure appropriate support and justification is provided.
    - Recommend any changes or additional support needed in the LCRE form, examination, or supervision contact through the quality control process.
- Maintain a regional log and confirm completion of all LCRE forms and examinations or supervision contacts by the due date.

Associate Regional Director

- Ensure concentrations of credit are addressed through the quality control process (for example, PSR or QCR)
- Authorize sufficient resources for the review and assessment of credit concentrations
- Review and determine whether to concur with the conclusion of field staff and the supervisor for the credit unions that trigger the LCRO thresholds and have total assets exceeding $250 million. Complete the review within 15 business days of receiving an LCRO form. The 15-business day requirement includes the region's entire review process (for example, DOS and ARD reviews)
    - The credit union asset size at the LCRO Report effective date will establish the required "Level of Review" in the LCRE form.

Regional Director

- Ensure concentrations of credit are addressed through the quality control process (for example, PSR or QCR)
- Ensure the credit union implements mitigating actions or the NCUA issues escalated action to address unacceptable levels of concentration risk
- Allocate sufficient resources for the review and assessment of credit concentrations
- Review and determine whether to concur with the conclusion of the examiner, supervisor, and ARD when the credit union has total assets greater than $500 million. Complete the review within 15 business days of receiving an LCRE form. The 15-business day requirement includes the region's

entire review process (for example, DOS, ARD, and **RD**[1] reviews)

  - The credit union asset size at the LCRO Report effective date will establish the required "Level of Review" in the LCRE form.

- Authorize the release of the examination report
  - When the SSA is the lead on a joint examination, the RD may authorize the release of an examination report in a FISCU that has more than $500 million in total assets before RD or E&I review. The RD may delegate the decision to authorize the release to an ARD. The final reviewer will address any concerns identified because of a subsequent RD or E&I review on a case-by-case basis.
  - When the SSA is the lead on a joint examination, the RD may authorize staff to hold a joint conference in a FISCU that has more than $500 million in total assets before RD or E&I review. The RD may delegate the decision to authorize staff to hold a joint conference to an ARD.
  - Authorizing the release of an examination report or holding a joint conference does not preclude the program office from complying with the examination completion requirement. Examiners will not close the examination or supervision contact until the final LCRE form is returned from the appropriate reviewing party and included in the examination or supervision contact.
- Ensure all LCRE forms from credit unions that have total assets greater than $1 billion are submitted to EIMail for the E&I Director's review and concurrence
- Ensure a log of completed LCRE forms is submitted annually to EIMail at the end of each calendar year no later than January 25

E&I

- Monitor national concentration risk patterns and trends
- Monitor the supervision of credit concentration risk
- Assess adequacy of concentration risk reviews in the exam program and modify as necessary

[1]Regional Director

- Post updated LCRO Report to SharePoint each quarter within 30 days of the validation of the Call Report data
- Remind program offices to complete the required review process each year following the generation of the LCRO Report based on September Call Report data
- Review the program office's conclusions and any planned action(s) for credit unions with total assets over $1 billion within 15 business days of receiving the LCRE form from the RD
    - The credit union asset size at the LCRO Report effective date will establish the required "Level of Review" in the LCRE form.
    - If there is a difference of opinion between E&I and a program office, the RD and E&I Director will discuss the issue and agree on a resolution strategy.

Completing and Processing an LCRE Form

In general, the following procedures will be used to process an LCRE form. For a visual flowchart of LCRE form processing, see the LCRE Form Processing Flowchart in the Templates.

1. ***Exam Staff***

   Complete an LCRE form for credit unions that appear on the LCRO Report within five business days of the close of examination fieldwork. Submit draft LCRE form to the supervisor for review.

2. ***Supervisor***

   Review the LCRE form within 10 business days of receipt from an EIC and submit all approved LCRE forms to DOS.

3. ***Regional Office***

   Upon receipt of the field's LCRE form and recommendation, DOS will immediately determine if regional management review and concurrence is required. DOS will use the LCRO Report effective date to establish the required "Level of Review" in the LCRE form. If regional management reviews are not required, DOS will document the review for the region's records.

If regional management review and concurrence is required, DOS will review and analyze the LCRE form and field's recommendation to ensure appropriate support and justification is provided. DOS will recommend any changes or additional support necessary and provide justification through the quality control process. Upon agreement, DOS will submit the LCRE form to the appropriate regional approving authority for their subsequent review and concurrence:

- Between $250 million and $500 million: ARD Approval
- Between $500 million and $1 billion: RD Approval
- Greater than $1 billion: E&I Director Approval

For credit unions with total assets between $250 million and $1 billion, DOS will appropriately document the review for the region's records and return the completed and approved LCRE form to the supervisor for release to the EIC. The Regional Office review will be completed within 15-business days of receipt from the supervisor, unless additional information is needed from the field.

If the credit union's total assets exceed $1 billion, submit the LCRE form to EIMail for the E&I Director's review and concurrence. At a minimum, the region's approved submission should include:

- Completed LCRE form with all required approvals (Exam Staff, Supervisor, ARD, and RD)
- MERIT exam access that includes the information below (at a minimum)
  - Scope and Final Risk Assessment
  - Exam Report (draft)
  - Exam-related administrative actions (**DORs**[1], EFs, etc.)

4. ***E&I***

Upon receipt of the region's LCRE form and recommendation, E&I will review the conclusions and any planned action(s). The E&I review will be

[1]Document of Resolution

completed within 15 business days of receipt unless additional information from the region is needed

The final LCRE form will be returned to the region's DOS for tracking and final distribution to the field.

Last updated February 2, 2023

[redacted]

[redacted]

- [redacted][1] [redacted]
- [redacted]
- [redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]

[1] [redacted]

[redacted]

[redacted]

[redacted][1] [redacted][2] [redacted][3] [redacted][4] [redacted][5] [redacted]

[redacted][6] [redacted][7] [redacted]

[redacted]

[redacted]

Notice of Troubled Condition

When a credit union is newly downgraded to a CAMELS composite 4 or 5, **exam staff**[8] must notify the credit union of its "troubled condition" status.

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[1] [redacted]
[2] [redacted]
[3] [redacted]
[4] [redacted]
[5] [redacted]
[6] [redacted]
[7] [redacted]
[8] "exam 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.

FCUs

Exam staff must include the forms referenced in the required language below in the examination report, or provide the credit union with the specific location of the information on the NCUA's public website. Exam staff will include the following text in the examination report:

> "Your credit union is coded CAMELS composite [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 as being in troubled condition per § 212(f) of the Federal Credit Union Act and § 701.14 of NCUA regulations. You must obtain approval from the NCUA before making any change of official or senior executive officer. The NCUA requires that you obtain agency approval at least 30 days before a change becomes effective or within 48 hours of election at an annual membership meeting. You can find this information on the NCUA's website. These requirements remain in effect until your credit union is upgraded to a CAMELS composite 3 or better."

Exam staff must notify an **FCU**[1] that has been newly upgraded from a CAMELS composite 4 or 5 to a 3 or better that the credit union is no longer considered in troubled condition. Exam staff will notify the credit union by including the following text in the examination report:

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

FISCUs

A **FISCU**[2] that has been assigned a 4 or 5 CAMELS composite rating by either the NCUA, after an onsite contact, or its **SSA**[3], must be notified of its troubled status. The NCUA will not designate a FISCU to be in troubled condition

[1]Federal credit union
[2]Federally insured, state-chartered credit union
[3]State Supervisory Authority

without first making an onsite contact at the credit union, unless the SSA has assigned the credit union a CAMELS composite 4 or 5.

Troubled Condition Based on SSA Rating

A FISCU that has been newly downgraded to a CAMELS composite 4 or 5 as a result of the SSA's rating must be notified of its troubled status. This situation will generally occur when the NCUA does not participate on the examination and the SSA's CAMELS composite rating is a 4 or 5 (regardless of the NCUA's CAMELS rating); or if the NCUA's CAMELS composite rating during a joint examination is a 3 or better while the SSA's CAMELS composite rating is a 4 or 5.

During the Review of State Exam, NCUA exam staff will determine if the SSA notified the FISCU of its troubled condition in writing via the examination report or through other means.

If notification by the SSA cannot be confirmed, NCUA exam staff will draft a letter notifying the FISCU of its troubled status (with a copy to the SSA) using the Notify FISCU of Troubled Condition Template. Once prepared, the letter will be processed for the **RD**[1]'s signature through the field supervisor and the regional office.

Troubled Condition Based on NCUA Rating

NCUA exam staff must notify a FISCU that has been newly downgraded to a CAMELS composite 4 or 5 that the rating triggers the troubled condition designation. The credit union must be advised of this status during a joint examination, onsite contact, or insurance review.

NCUA exam staff will include the following language at the top of the FISCU CAMELS Evaluation Form:

> "Your credit union is coded CAMELS composite [4 or 5] as a result of this [examination or onsite supervision contact]. Therefore, the [Credit Union's Name] Credit Union is now designated as being in troubled condition per § 212(f) of the Federal Credit Union Act and § 701.14 of NCUA regulations. You must obtain approval from the NCUA before making any change of official or senior executive officer. The NCUA requires that you obtain agency approval at least

[1]Regional Director

> 30 days before a change becomes effective or within 48 hours of election at an annual membership meeting. You must also file a copy of this notice with the [SSA Name]. You can find this information on the NCUA's website. These requirements remain in effect until your credit union is upgraded to a CAMELS composite 3 or better."

An onsite supervision contact must be started within 60 calendar days of completing the Review of State Exam for **FISCUs**[1] that the NCUA is downgrading to a CAMELS composite 4 or 5 rating. The onsite supervision contact is to validate the CAMELS rating and trigger the troubled condition designation. However, if there is an official or senior executive officer vacancy, examiners must start the onsite contact within ten business days of completing the Review of State Exam.

The **ED**[2] must approve any exception to this policy. A FISCU will be notified of its troubled status on the CAMELS disclosure issued during the onsite contact, and not before.

No Longer in Troubled Condition

FISCUs are considered in troubled condition based on the CAMELS composite rating assigned by either the SSA or the NCUA; this status can only be removed when both the SSA and the NCUA upgrade a FISCU's CAMELS composite rating to a 3 or better. NCUA exam staff may only upgrade a FISCU's CAMELS composite rating as a result of an examination or onsite contact. When both the SSA and the NCUA have newly upgraded a FISCU to a CAMELS composite 3 or better, NCUA or the SSA must notify the FISCU that the credit union is no longer considered in troubled condition.

NCUA exam staff will notify a FISCU by including the following text at the top of the FISCU CAMELS Evaluation Form:

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

[1]Federally insured, state-chartered credit union
[2]Executive Director

> regulator to determine whether you must continue to notify their office of any changes of officials and senior executive officers."

If a state regulator is the last to upgrade a FISCU from troubled condition to a CAMELS composite 3 or better and the NCUA does not participate on the examination/contact resulting in the upgrade by the state, NCUA exam staff will attempt to verify whether the SSA provided the FISCU written notification of the removal of its troubled status via the examination report or through other means.

If notification by the SSA cannot be confirmed, NCUA exam staff will draft a letter notifying the FISCU of the removal of its troubled status (with a copy to the SSA) using the Upgrade FISCU From Troubled Condition Status Template. The letter will be processed for RD signature through the field supervisor, and the regional office.

Last updated August 03, 2021

Call Report, Trending Analysis, RADAR, and RATE

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

Examiners[1] no longer have to validate Call Reports unless instructed by the regional or **ONES**[2] Offices to validate a Call Report before the end of the day. **OCIO**[3] will initiate an auto-validation process each day at midnight. **E&I**[4] will provide reports to the regions and ONES of any errors or warnings detected by

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[1]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.).
[2]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.
[3]Office of the Chief Information Officer
[4]Office of Examination and Insurance

the auto-validation process. Auto-validation does not replace or rescind the requirement to review the Call Report and Profile and complete the required Call Report and **CU**[1] Profile questionnaire during examinations, as outlined in NCUA Instruction 5000.20, Examination Scope.

To conduct the quarterly trending process and assess risk in credit unions, regional staff will use the **RADAR**[2] dashboard. ONES staff will use the **RATE**[3] tool to document their quarterly analysis.

The time examiners charge for quarterly monitoring and completing RADAR or RATE for their districts (**WCC**[4] 20 or WCC 21) should generally fall within the guidelines specified in the applicable Resource Budget Program. Examiners should contact their supervisor if they need additional time for Trending Analysis and RADAR or RATE. Supervisors should approve additional time as warranted.

Responsibilities

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

- E&I
- Regional DOS
- ONES DOS
- Regional Field Supervisor
- ONES Field Supervisor
- Regional Exam Staff
- ONES Exam Staff

Office of Examination and Insurance

- Provide reports generated from the auto-validation process to the regional offices and ONES

[1]Credit union; credit unions
[2]Risk Assessment and Data Analytics Rating
[3]Risk Analysis and Trending Evaluation
[4]Work Classification Code

- Post the due dates for RADAR and RATE within the applications or notify staff by email

Regional Division of Supervision

- Send quarterly regional RADAR Review deadline reminders consistent with the national due date
- Notify **exam staff**[1] of any Call Report errors or outliers identified by E&I that require further review and follow-up
- Distribute field supervisor RADAR review assignments selected using criteria approved by the **RD**[2]
    - **RDs**[3] will establish criteria to select a meaningful sample capturing material risk areas and emerging issues
- Monitor completion and perform a quality control review of a sample of RADAR dashboard responses no later than 15 business days after field supervisors complete their review
    - The scope of the reviews will be at the RD's discretion
- Track field supervisor completion of RADAR reviews

ONES Division of Supervision

- Send quarterly RATE Review deadline reminders consistent with the national due date
- Notify exam staff of any Call Report errors or outliers identified by E&I that require further review and follow-up
- Track field supervisor completion of RATE reviews to confirm all credit unions receive a RATE review for each cycle

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[1]"exam 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.
[2]Regional Director
[3]Regional Director

Regional Field Supervisor

- Review RADAR reports submitted by exam staff:
  - Field supervisors will review field staffs' responses and assessments of risk, and document their reviews in the **SE**[1] Comments section located on the credit union Overview tab
  - The RD will determine the scope of field supervisor reviews, but will require, at a minimum, supervisor review of all credit unions with a High final rating.
  - Field supervisors will have 30 calendar days to complete their review of the examiners' assessments.
- Notify the ARD of any specific credit union in which supervision plans materially changed as a result of the RADAR review, necessitating material budget increases for supervision

ONES Field Supervisor

- Review RATE reports submitted by exam staff
- Notify the Deputy Director of any specific credit union in which supervision plans materially change, as a result of the RATE review, necessitating material budget increases for supervision

Regional Exam Staff

- Review Call Report errors or outliers when instructed by the regional office
- Complete the RADAR Dashboard tool:
  - Review the four risk areas and analyze the results
  - Complete the **Examiner**[2] Survey located on the credit union overview tab, including a review of:

[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[2]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.).

- BSA Monitoring Tool
  - Note any adverse trends that may cause a change to supervisory plans or require the addition of a **BSA**[1] **SME**[2] for the next exam or contact
- Fraud Indicator Report
  - Note any adverse trends that may cause a change to supervisory plans or require the addition of a **RIC**[3] SME for the next exam or contact
- Risk Reports
  - Note any adverse trends that may cause a change to supervisory plans
- New audits received during the quarter
  - Determine whether a credit union has received a new audit that fulfills the requirements of part 715 or part 741 of the NCUA's regulations
  - If the Profile indicates a new audit has been completed, request a copy of the audit within 10 business days of reviewing the Profile and review it as described in the NSPM

- Complete the Executive Summary to
  - Provide support for the ratings
  - Determine if supervision plans remain appropriate
  - Provide any additional information not captured by the dashboard to support the examiner's assessment
- Notify the supervisor when a review is completed

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

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[1]Bank Secrecy Act
[2]Subject Matter Examiner
[3]Recordkeeping/internal control

ONES Exam Staff

- Review Call Report errors or outliers when instructed by the regional office
- Review the credit union's Profile each quarter during the RATE review to determine whether a credit union has received a new audit that fulfills the requirements of part 715 or part 741 of the NCUA's regulations
    - If the Profile indicates a new audit has been completed, exam staff will request a copy of the audit within 10 business days of reviewing the Profile. Exam staff will request and review a copy of the audit report as described in the NSPM.
- Access the RATE tool
- Access the NCUA Consumer Assistance Center Consumer Complaint Portal through the hyperlink in RATE:
    - Search by credit union name or charter number and determine if the credit union received new complaints since the last complaint review date
    - Review new complaints to determine if possible weaknesses exist in compliance management.
    - Note any adverse trends that may require the addition of a CC SME for the next exam or contact. Examiners should not discuss individual complaints filed with the Consumer Assistance Center with the credit union or contact a consumer regarding these complaints.
- Complete the RATE Dashboard, which should include an analysis of:
    - **FPRs**[1]
        - Note any adverse trends that may cause a change to supervisory plans.
    - Risk Reports
        - Note any adverse trends that may cause a change to supervisory plans.

[1]Financial Performance Report

- Fraud Indicator Report
  - Note any adverse trends that may cause a change to supervisory plans or require the addition of a RIC SME for the next exam or contact.
- BSA Monitoring tool
  - Note any adverse trends that may cause a change to supervisory plans or require the addition of a BSA SME for the next exam or contact.
- Monthly financial statements or board packages, when requested by the examiner and provided by the credit union (for example as part of additional supervision of a credit union). This is not required if there is a closed offsite contact that documents the review.
- Submit the review to your supervisor

Examiners must complete the RATE Dashboard for each credit union in their assigned district and submit it to their supervisor. With the exception of the September cycle, which is shortened to ensure RATE reviews are completed by year-end,[1] examiners will have approximately 75 days from the cycle date to complete their review.

Last updated March 30, 2021

Closed Information Questionnaire

The Closed Information Questionnaire is for the NCUA's internal use only. Exam staff should use this section to document any noteworthy items applicable to the examination that are not discussed elsewhere in MERIT.

This questionnaire is also the appropriate place to discuss management's inability and unwillingness to correct areas of concern, as well as provide details of new or unique programs or services that are not discussed elsewhere in MERIT.

Specifically, **exam staff**[2] will document the following information in the Closed Information Questionnaire, as applicable:

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

[2] "exam 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.

- Material changes that were recommended, but not incorporated, during the **DSCR**[1] or **PSR**[2] process
- If the board of directors did not adopt the **DOR**[3], summary of discussions with them to submit an alternate resolution plan
- Potential administrative action considered, or if a CAMELS composite 3, 4, or 5 rating why there is no administrative action taken or outstanding
- Justification to not elevate any repeat **DORs**[4] to an **RDL**[5], **LUA**[6], or **PWL**[7]
- For **FISCUs**[8]:
    - Any differences in the **SSA**[9]'s CAMELS ratings, risk ratings, or corrective action plans
    - The reason a joint exam was not possible, including efforts to coordinate a joint exam with the SSA
    - Other comments or notes, including **BSA**[10]-related topics, that the agency is not able to share with the SSA
- Any deviation from the NSPM requirements listed in the questionnaire—exam staff will provide an explanation and attach supporting documentation for any item that requires field supervisor or ARD concurrence (a copy of the email, or the date and method of issuance for field supervisor's or ARD's decision)
- Any information about management necessary to support the administrative record (for example, knowledge level of credit union operations, not providing a share and loan download)

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[1]Documented Secondary CAMELS Review
[2]Pre-release secondary review
[3]Document of Resolution
[4]Document of Resolution
[5]Regional Director letter
[6]Letter of understanding and agreement
[7]Preliminary Warning Letter
[8]Federally insured, state-chartered credit union
[9]State Supervisory Authority
[10]Bank Secrecy Act

- Any deviation from budgeted hours (attach documentation of supervisor concurrence)
- Any expansion beyond the **SCUEP**[1] defined-scope procedures, including how and why the scope was expanded (attach documentation of supervisor approval)
- Reason why an exam or contact was not completed or closed within required timeframes

REMINDER: Agency records and examination work papers, including the Closed Information Questionnaire, can be subpoenaed.

Last updated on August 03, 2021

Joint Conferences and Exit Meetings

A joint conference is a meeting of the examiners and a quorum of the board of directors to conduct official credit union business. It provides the examiner the opportunity to reach an agreement with the board about the appropriate actions to reduce levels of unwarranted risk in the credit union.

Examiners[2] must hold a joint conference at the end of every examination and follow-up examination for CAMELS 3, 4, and 5 credit unions. In CAMELS 1 or 2 credit unions, a joint conference is not mandatory; however, examiners must offer a joint conference to the board chair (or their board member designee, not to include a credit union employee) and document the credit union's decision about holding a joint conference in the Exam Form in MERIT.

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

[1]Small Credit Union Examination Program

[2]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.).

The examiner will provide adequate information to allow the credit union to make an informed choice about whether any officials would like to participate in the exit meeting or have a joint conference. If corrective action is necessary, examiners should make every effort to confirm the credit union's commitment to that action at the exit meeting.

Note: With **SE**[1] concurrence, the examiner may provide the credit union certain draft examination documents, including the **DOR**[2] and **Examiner**[3]'s Findings, before the **PSR**[4] review(s) are complete. If no **DOS**[5] or ARD PSR is required, the SE may approve pre-release of CAMELS ratings. Management must be made aware that draft examination documents, including CAMELS ratings and risk ratings are preliminary and may change before the final report is issued. When DOS and/or ARD review is required, the examiner may only release CAMELS ratings after the PSR review is complete.

If material information arises that has not been presented to managers, **exam staff**[6] may reschedule the joint conference or exit meeting or delay 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 discussed in the District Management section of the NSPM.

Key assertions—such as suspected fraud—may be withheld from credit union management if the assertions merit discussion directly with a credit union board of directors.

Exam staff will answer questions on the Exam Form in MERIT asking if the credit union recorded the exit meeting or joint conference and if the examiner obtained a copy of the recording. The copy should be saved on the examiner's laptop. Recordings will not be attached to the MERIT exam, and are not subject to the 14-day deletion requirement prescribed in the Instruction 13500.15, Acceptable Use Policy.

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[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

[2]Document of Resolution

[3]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.).

[4]Pre-release secondary review

[5]Division of Supervision

[6]"exam 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.

If exam staff record meetings, they must obtain specific approval from OED to record them (audio or video). Such approval will be granted only when there is a legitimate business purpose for the recording, and approval was granted by their supervisor and regional management before their request to OED. Requests for approval should be sent to OEDmail@ncua.gov with their supervisor and regional DOS mailbox copied, and must contain:

- **Supervisor**[1] and regional management approval
- Meeting date and time
- Recording type (teleconference, Skype video, MS Teams video, etc.)
- Expected attendees
- Topics to be discussed
- Brief explanation of business purpose for recording the meeting

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

For **FISCUs**[2], **SSAs**[3] should be informed of the recording before the meeting by exam staff.

Note: There may be circumstances where a joint conference or exit meeting is held virtually (video or phone). In these cases:

- There is no requirement for examiners to be on camera for virtual meetings
- Annotate the meeting was held virtually in the Closed Information Questionnaire and follow all other NSPM requirements related to joint conferences and exit meetings

[1]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.).

[2]Federally insured, state-chartered credit union

[3]State Supervisory Authority

- If the credit union is not a MERIT user, send the examination report to the **CEO**[1]/manager and credit union board using a secure electronic delivery method
  - Request the CEO/manager and board review the exam report and contact the **EIC**[2] with any questions
- If credit union staff or officials cannot attend an in-person or virtual joint conference/exit meeting, or a quorum is not present, document in the Exam Form in MERIT
- If a **LUA**[3] must be signed, get hardcopy signatures through mail or fax, or electronic signatures using PDFs

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Last updated May 12, 2022

Communicating Directly with a Credit Union

Informal Communication

Examiners[4] may use e-mail as an informal means of communication with credit unions in place of, or in addition to, telephone calls. Examiners must use ZixMail, the NCUA's secure e-mail program, when discussing confidential matters with credit unions through email. Instructions for using ZixMail are available on OneStop.

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

Formal Communication

Formal written communication with a credit union is typically initiated by the examiner and supervisor and processed through the regional office. The Audits, Recordkeeping, and Fraud and Regulatory Waivers and other Regulatory Actions sections of the NSPM present common types of written correspondence. These sections provide many templates which contain the

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[1]Chief Executive Officer

[2]Examiner-in-charge

[3]Letter of understanding and agreement

[4]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.).

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 **RD**[1]'s response is addressed to the board of director's chairperson at the credit union's address, with a copy to the **CEO**[2] as appropriate. Correspondence is not typically mailed directly to the home of a board member unless there has been a problem with the correspondence being delivered (for example, there is a question of confidentiality, or, if appropriate, in some cases of negative correspondence such as a **RDL**[3] 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**[4] 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**[5] should be copied on all outgoing **FISCU**[6] correspondence.
- DOS has the discretion to add line items such as "cc" and "bcc" recipients, "sent via FedEx – Signature Required," etc. to templates

Writing Guidelines

The NCUA is responsible for ensuring that agency personnel prepare documents intended for the public according to plain writing guidelines. Information about the Plain Writing Act of 2010 can be found on the NCUA's website. The plain writing guidelines used by the NCUA can be found at 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:

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[1]Regional Director
[2]Chief Executive Officer
[3]Regional Director letter
[4]Division of Supervision
[5]State Supervisory Authority
[6]Federally insured, state-chartered credit union

- 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)

Last updated July 29, 2015

Communicating with Law Enforcement, Outside Audit Firms, or Other Federal Agencies

Examiners[1] must refer all inquiries from law enforcement, outside audit firms, or other federal agencies to the region's Division of Supervision through their supervisor. **RDs**[2] should communicate knowledge of any law enforcement investigation to the NCUA Board, **OGC**[3], and **E&I**[4].

Last updated July 29, 2015

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**[5])
- Document compliance with the **LUA**[6] or Special Insuring Agreement and adherence to the credit union's business plan in the Status Update section of the report
- Review all changes in management (officials and key personnel), and determine if changes in officials were approved by the **RD**[7] and the

[1]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.).
[2]Regional Director
[3]NCUA's Office of General Counsel
[4]Office of Examination and Insurance
[5]Economic Development Specialist
[6]Letter of understanding and agreement
[7]Regional Director

SSA[1], if applicable, in accordance with § 701.14e of the NCUA's regulations

- Assess the need for assistance, including enrollment in the **NSCUP**[2], 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.

Last updated July 29, 2015

Critical Case Credit Unions

Credit unions that pose the most significant emerging risk to the **NCUSIF**[3] are known as critical cases. Critical case briefings are part of the region's risk management practices and provide an opportunity for regional management to evaluate the need for enhanced supervision. This NSPM section provides insight into the purpose, selection criteria, and processes involved in critical case credit union briefings, and provides structure on what to expect if critical case credit unions are identified within a district.

Developing a Critical Case List

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

- Recommendations from regional management and regional **DOS**[4]
- Quarterly risk trending reports reviewed by regional DOS
- Monthly management reports listing problem cases
- Internal regional risk reports
- High Risk Pipeline Reports

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[1]State Supervisory Authority
[2]National Small Credit Union Program
[3]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.
[4]Division of Supervision

- Reports that flag select cases, provided by **E&I**[1]
- Other approaches at the discretion of the region

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

[2]

Critical Case Meetings

The purpose of critical case meetings or briefings is to discuss the case background, present status, prognosis, and supervision plans with regional management. The assigned **exam staff**[3] will prepare and present critical cases at the briefings. The **RD**[4] will determine the format of the critical case package before the meeting and communicate the format to staff at least ten business days before the meeting. The field supervisor will review the package(s) for quality and completeness, as well as adherence to established standards, before submitting it to the regional office.

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[1]Office of Examination and Insurance

[2]

[3]"exam 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.

[4]Regional Director

High Risk Pipeline

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

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

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

RDs[1] are responsible for implementing procedures to enter or update data in the HRP by the 15th day of each month following a calendar quarter-end. Please note, interim reporting related to loss reserves may be necessary if there are changes before the next reporting period. Each region will input data into the HRP for any natural person credit union that meets one or more of the following conditions:

- Assigned an NCUA CAMELS composite 4 or 5 rating and has assets greater than $50 million
- Assigned an NCUA CAMELS composite 3 rating and has assets greater than or equal to $250 million
- Has specific reserves assigned, or requested by the region
- Has outstanding assistance granted under FCUA § 208 or § 216

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

E&I will create and maintain a series of output reports generated from the information entered into the HRP. Each region and **AMAC**[2] will designate authorized user(s) to access the output reports from the HRP.

Last updated February 2, 2023

[1]Regional Director
[2]Asset Management Assistance Center

Control Reports

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

E&I Control Reports

E&I[1] 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**[2] Tracking Reports to ensure resolution is achieved timely
- **MARS**[3] workload and completed examination/supervision contact reports
- CAMELS 3, 4, and 5 MARS reports
- Problem Credit Union Reports (3,4,5)
- Other specialized reports as deemed appropriate

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

Regional Control Reports

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

- MARS reports – Regions will ensure MARS complete and reconciled each month
- Budgeting – Regions will review necessary reports and resource budgets monthly to ensure completion and consistency with standards

[1]Office of Examination and Insurance
[2]Document of Resolution
[3]Management Automated Resource System

- 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
- CAMELS 3, 4, 5 Detail, Status, and Exception Reports
- High Risk Pipeline Reports
- Quarterly **PCA**[1] Reports
- Quality Control Reviews (**QCRs**[2])
- Status and Exception Reports

Last updated July 29, 2015

Develop and Issue Guidance

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

The Office of Examination and Insurance issues authoritative agency guidance at the national level. Individual field offices may issue explanatory and training materials (such as white papers) directly to their staff. The NCUA Exam Steering Group assists **E&I**[3] 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

[1]Prompt Corrective Action(s)

[2]Quality control review; actions taken on items or activities to verify adherence to specified requirements. The QCR element is generally included as a segment of QA.

[3]Office of Examination and Insurance

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

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

Initiating Guidance Development

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

- Maintain an inventory of all guidance products in development and related requests
- Post the inventory of guidance in development to the ESG SharePoint site
- Provide the formal request to the **ESG**[1] for discussion

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

Developing and Issuing National Guidance

Once the ESG (with E&I's concurrence) or E&I determines whether the proposed guidance is suitable for national development and issuance:

- E&I will notify the requesting office within 14 days of the ESG's decision.
- Unless E&I will serve as the lead office, another office may volunteer and be assigned as the lead office to conduct the initial research for, and drafting of, the guidance.
- E&I will assign a staff member to be the point of contact on all guidance in development and will work with regions and offices to marshal subject matter experts as necessary.

[1]Exam Steering Group

- 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, **ED**[1], other agencies as applicable, and determine whether to issue the guidance, and when.

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

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

- E&I will notify the requesting office (the "lead office") responsible for developing the guidance within 14 days of the ESG's decision.
- Upon notification, the lead office will research, draft, and distribute the material to its staff and provide a copy to all regions, E&I, and any interested central offices.

Last updated January 27, 2016

Administrative Items

- Attaching Documents in MERIT
- Delivering a Report to Credit Union Officials
- EIC Rotation Limits
- Electronic Copies of Reports
- Exam Timeframes and Limits
- Notifying a Credit Union of a Contact

[1]Executive Director

- Reopening and Canceling Exams and Contacts
- Team Member Responsibilities

Last updated October 14, 2021

Attaching Documents in MERIT

MERIT allows users to attach documents to various forms, including scope tasks and issues.

Exam staff should attach files in MERIT as needed to support the administrative record and should avoid maintaining electronic or physical field files for credit unions in their district. Exam staff should attach examination support and correspondence among the central office, regional office, credit union, **SSA**[1], or any other related party to either an examination or the examinable entity form in MERIT.

The matrix below shows where **exam staff**[2] should attach documents in MERIT. Documents not specifically mentioned below related to an item reviewed during an exam or contact should be posted to the item's scope task.

Document	Where Found	Where to Attach	Additional NSPM Reference
Administrative Actions	Templates in online NSPM	Documents section of the Examinable Entity form	N/A
Capital Plan Review Questionnaire	MERIT Job Aids Repository	Applicable Capital Planning scope task	N/A
Consumer Compliance Workbook	**OCFP**[3]'s SharePoint site	Consumer Compliance Review Scope Task	N/A
DEXA Mapping Document	Created with the credit union's input	Documents section of the Examinable Entity form	N/A

[1]State Supervisory Authority

[2]"exam 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.

[3]Office of Consumer Financial Protection

Document	Where Found	Where to Attach	Additional NSPM Reference
FinCEN[1] Form	MERIT Job Aids Repository	Documents section of the Exam form	Bank Secrecy Act>Reporting Significant Violations
FISCU[2] CAMELS Disclosure Form	MERIT Job Aids Repository	Publish document in MERIT, but do not send issues to issue management if the NCUA is the Co-**EIC**[3].	FISCU Program>Disclose NCUA CAMELS and Risk Ratings
Microstrategy Analytics PDF and Dossier (.MSTR) files	MERIT Analytics	Documents section of the Exam form.	N/A
IRR[4] Workbook	MERIT Job Aids Repository	IRR Review Scope Task	N/A
Information Systems Exam (ISE) Report	ISE Tool	Gramm-Leach-Bliley (Privacy) Act scope task	N/A
LCRE[5] Form	MERIT Job Aids Repository	Closed Information Questionnaire scope ask. For FISCU joint exams, if an SSA closes the exam before all LCRE form approvals are obtained, the LCRE form	District Mangement>Concentration Risk Reviews

[1]Financial Crimes Enforcement Network
[2]Federally insured, state-chartered credit union
[3]Examiner-in-charge
[4]Interest rate risk
[5]Loan Concentration Risk Evaluation

Document	Where Found	Where to Attach	Additional NSPM Reference
		should be included in the MERIT 3.1 Review of State Exam scope task	
NCUA Exam Report	MERIT Exam Report Form	Publish document in MERIT	N/A
Supervision Chronology	MERIT Job Aids Repository	Documents section of the Examinable Entity form	FISCU Program>Supervision Contacts>Follow-up Exams for Troubled/Problem Credit Unions and **FCU**[1] Program>Supervision Contacts>Follow-up Exams for Troubled/Problem Credit Unions
SSA Exam Report (if SSA does not use MERIT or uses MERIT and does not attach exam report to its exam)	Potentially emailed to the region if not in MERIT	Documents section of Exam form	FISCU Program >Supervision Contacts>Review of SSA Exams (**WCC**[2]-26)
Team Memo	Created by exam staff outside of MERIT	Team Member Survey	N/A

Exam staff should also attach a revised financial analytics dossier if there are changes to the Call Report or effective data that result in revised financial analytics during the course of the exam or contact.

[1]Federal credit union
[2]Work Classification Code

For more information about documentation, see the NSPM's Examination Reports section.

Documents that contain PII

When attaching documents that contain **PII**[1], exam staff must check the *Contains PII* box. Exam staff will not attach **SARs**[2] to MERIT.

Last updated June 23, 2023

Delivering a Report to Credit Union Officials

After the examiner receives and reviews the completed **PSR**[3] or **DSCR**[4] from their supervisor and **DOS**[5], as applicable, and makes any needed adjustments, examiners should deliver the final examination report or insurance review report. The examiner should inform management and key officials of the major deficiencies before the joint conference. (See the Joint Conferences and Exit Meetings section of the NSPM for more information.)

Note: With **SE**[6] concurrence, the examiner may provide certain draft examination documents, including the **DOR**[7] and **Examiner**[8]'s Findings before the PSR review(s) are complete. If no DOS or ARD PSR is required, the SE may approve pre-release of CAMELS ratings. Management must be made aware that draft examination documents, including CAMELS ratings and risk ratings are preliminary and may change before final report is issued. When DOS and/or ARD review is required, the examiner may only release CAMELS ratings after the PSR review is complete.

[1]Personally identifiable information
[2]Suspicious Activity Report
[3]Pre-release secondary review
[4]Documented Secondary CAMELS Review
[5]Division of Supervision
[6]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[7]Document of Resolution
[8]Throughout the NSPM, the term "examiner" includes district and principal examiners, problem case officers, examiners and specialized examiners. The term typically refers to DEs, PCOs, and national field examiners. It also refers to any type of specialized examiner (RLS, ALS, RCMS, RISO, etc.).

Examiners[1] will keep all internal discussions surrounding the exam review process confidential, including the decision making around CAMELS ratings or any disagreements the examiner may have with the quality assurance review results. In situations where the examiner is not able to deliver the report at the joint conference or exit meeting, the examiner will send 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 Closed Information Questionnaire, as well as the reason for delay.

Last updated October 14, 2021

EIC Rotation Limits

Examiners[2] may serve as **EIC**[3] for examinations and contacts for consecutive **FCU**[4] or **FISCU**[5] examinations completed within five calendar years.

The EIC will be rotated at the end of the fifth calendar year and will not serve as EIC until another examination (**WCC**[6] 10 or WCC 11) is completed by a different examiner. The rotation period starts with the calendar year in which an examiner first serves as EIC.

Supervisors will ensure adequate rotation of **EICs**[7] occurs. ARDs will monitor compliance with this requirement. The assigned ARD may approve exceptions on a case-by-case basis for extraordinary circumstances such as pending merger, liquidation, charter conversion, or resolution of an emerging material problem. The ARD will document all approved exceptions in writing, and the EIC will document approval in the Closed Information Questionnaire.

Last updated August 03, 2021

[1]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.).
[2]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.).
[3]Examiner-in-charge
[4]Federal credit union
[5]Federally insured, state-chartered credit union
[6]Work Classification Code
[7]Examiner-in-charge

Electronic Copies of Reports

Exam staff may normally provide credit unions with an electronic copy of examination and supervision contact reports through MERIT. Exam staff may provide credit unions a hard copy report, depending on a credit union's preference. Should **exam staff**[1] provide an electronic copy of the report outside of MERIT, they should provide the report in PDF format to prevent easy manipulation of documents .

The instructions for creating an electronic copy of the examination report are accessible through the NCUA and SSA MERIT User Guide. If an examiner sends the examination report via by e-mail, they must use ZixMail, the NCUA's secure e-mail program. Instructions for using ZixMail are available on OneStop.

Last updated February 2, 2023

Exam Timeframes and Limits

Timeframe to Close an Examination/Supervision Contact

Credit union officials must receive timely information and take prompt corrective action. To that end, **exam staff**[2] **will close all examinations/onsite supervision contacts within 90 calendar days of the start date of the examination/onsite supervision contact.** For credit unions assigned to **ONES**[3], examiners will close all contacts within 90 days. The start date is the first date an examiner charges time in TMS to **WCC**[4] 10 or WCC 11 (for an exam), or WCC 22 or WCC 23 (for a supervision or follow-up contact). An exam start date will coincide with the first date that exam work (not pre-planning work) is conducted onsite or offsite. Exam staff must ensure the start date entered into the Milestones form in MERIT is consistent with this definition.

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[1]"exam 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.

[2]"exam 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.

[3]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.

[4]Work Classification Code

This timeframe includes all other exam-related timeframes. Timeframes detailed in this section of the NSPM will be shortened as necessary to meet the maximum 90-day timeframe.

If closing an examination/supervision contact within 90 days is impossible, an **EIC**[1] will notify their supervisor and obtain approval to extend the timeframe. If the requested completion and close date exceeds 120 days, the supervisor will notify and request advance approval from the ARD or Deputy Director. Exam staff will document the rationale for the extension request and the supervisor or ARD/Deputy Director decision in the Closed Information Questionnaire.

Regions will maintain a cumulative report identifying credit union examinations/onsite supervision contacts remaining open longer than 90 days and provide the report to the ARDs/Deputy Director quarterly. ARDs/Deputy Director will review the report to evaluate if the extended examination periods were justified.

E&I[2] will evaluate completion and closure timeframes not less than semi-annually to evaluate the efficiency and effectiveness of examination planning and scheduling.

Completion date and MERIT Closure Requirement

Exam staff will enter the examination completion date on the Milestones form in MERIT. The examination/supervision completion date is the day the EIC last charged time to the examination and must be within five business days of the latest of the following dates:

- Date of last time onsite
- Date of exit meeting
- Date of joint conference
- Date of **PSR**[3] process completion, if **DOS**[4]/ARD review is not required

Within one business day of the examination completion date, **EICs**[5] will close the MERIT examination or contact.

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[1]Examiner-in-charge
[2]Office of Examination and Insurance
[3]Pre-release secondary review
[4]Division of Supervision
[5]Examiner-in-charge

The five business days to complete and one business day to close the examination/supervision contact are included in the 90-day examination timeframe requirement. For example, if the joint conference, exit meeting, or last day onsite takes place on the 88th day, the EIC has two business days to complete and close the examination.

The 90-day examination timeframe requirement does not include time spent on pre-planning activities (WCC 94 or WCC 95).

Having a joint conference, exit meeting, or last day onsite on the 88th day does not extend the 90-day timeframe unless a waiver is obtained as outlined above. Similarly, if an EIC has the joint conference, exit meeting, or last day onsite on the 30th day, they have until the 35th business day to complete the examination/supervision contact and until the 36th business day to close the examination/supervision contact. Hand delivery of an examination report does not constitute 'date last onsite.'

If there is a delay in closing the MERIT exam/supervision contact, due to conferences, training, annual leave, or sick leave, exam staff will notify their supervisor and document supervisor concurrence and the reason(s) for exceeding the timeframe in the Closed Information Questionnaire.

Limiting Examinations in Process

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

Last updated February 2, 2023

Notifying a Credit Union of an Examination/Supervision Contact

When the NCUA is leading an examination, examiners should provide as much advance notice as possible before starting an examination or 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 Closed Information Questionnaire scope task in the MERIT contact report.

For joint FISCU exams, the NCUA **EIC**[1] should make every effort to coordinate with the **SSA**[2] EIC to ensure that an all-inclusive document request list or survey is provided to the **FISCU**[3] 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 exam notification letter (RFE or **SCUEP**[4]) found in the MERIT job aids repository. The Document Request survey will also need to be generated and customized to only request items unique and necessary to address the scope and risk profile for each examination. For additional guidance on generating the exam notification letter and Document Request survey, refer to the NCUA and SSA MERIT User Guide.

Credit unions should receive the exam notification letter and document request list or survey no less than four weeks before the actual start date of the exam, whether onsite or offsite. **Examiners**[5] 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, suspected fraud, or when supervisory timeliness is warranted.

Last updated October 26, 2022

Reopening and Canceling Exams and Contacts

To reopen a previously closed MERIT examination or supervision contact or to cancel an exam or contact, **exam staff**[6] will send a request to their supervisor, who is responsible for approving or denying the request. The request

[1]Examiner-in-charge
[2]State Supervisory Authority
[3]Federally insured, state-chartered credit union
[4]Small Credit Union Examination Program
[5]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.).
[6]"exam 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.

must include the credit union's charter number, effective date, contact type, the exam title, and a brief explanation.

The supervisor will forward approved requests to the region's **DOS**[1] mailbox per the region's specified procedure. If approved, the region's DOS will process the request and notify the field supervisor and requesting examiner when the work is complete. If disapproved, the region will notify the field supervisor and requesting examiner, and explain the reasons behind disapproval.

Last updated February 2, 2023

Team Member Responsibilities

Team members must provide the **EIC**[2] with the documentation and completed MERIT forms to support areas reviewed, any corrective actions recommended, and proposed CAMELS and risk ratings as per the EIC's instructions at the beginning of the exam or contact.

Team members must discuss any problems identified and recommended corrective actions with credit union management and address any questions management has while the team member is onsite. Team members will discuss any **DOR**[3] items with the EIC before discussing them with credit union management.

At a minimum, team members will provide the following information (as applicable) in the Team Member survey:

- Detail of time charged
- Complete, comprehensive scope tasks
- Recommendation for applicable risk and CAMELS ratings
- Completed Loan Review
- **Examiner**[4]'s Findings in MERIT
- DOR in MERIT
- Consumer Compliance Violations in MERIT

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[1]Division of Supervision
[2]Examiner-in-charge
[3]Document of Resolution
[4]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.).

- Status update for all prior issues in MERIT, as applicable
- Status update for any outstanding administrative action(s)
- Description of problems identified and their relationship to/impact on the CAMELS ratings (to be included in the Examination Overview)
- Comments for the Closed Information Questionnaire
- Any recommendations for changes to future supervision plans or budgeted hours
- Other workpapers to support problems identified or recommended actions

Note: The team member responding to the survey may summarize their review in a memo or other document addressing the above items as applicable (except any required survey fields as applicable) and attach it to the Team Member survey.

EIC Responsibilities

Before starting a team examination or supervision contact that 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**[1], **RCMS**[2], **RISO**[3], etc.). This is typically done through an email, the Exam Logistics section of the Exam Form, or a Team Member Survey in MERIT. At a minimum, the EIC will provide team members:

- The 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
- Additional documentation team members are expected to provide the EIC beyond the items required in the Team Member Responsibilities section)

[1]Regional Lending Specialist
[2]Regional Capital Market Specialist
[3]Regional Information Systems Officer

- Due date for completing applicable sections of MERIT and providing requested information back to the EIC

The EIC is responsible for delegating and coordinating the work of the team members and ensuring 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 documented in MERIT
- Expectations for the frequency and timeliness of syncing offline MERIT data (for example, if team members are working offline, the EIC may request **exam staff**[1] sync to MERIT daily by 5 p.m. local)

EICs[2] will not remove team members from the exam or contact in MERIT unless the team member did not participate on the exam or contact.

Last updated June 23, 2023

District Management Templates

- Supervision Chronology Report
- Team Memo
- **LCRE**[3] Form
- Concentration Risk Job Aid

Last updated January 4, 2021

[1]"exam 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.
[2]Examiner-in-charge
[3]Loan Concentration Risk Evaluation

Examination Complaints

Credit union officials have the right to appeal or file a complaint on examination issues directly to the **RD**[1]. This would include any written or informal appeal or complaint related to an examination or supervision contact or other supervisory determination and may take the form of complaints against supervisory examiners, examiners, requests for a different examiner, or requests for some type of change to the examination report.

In addition, part 309 of the Riegle Community Development and Regulatory Improvement Act of 1994 required the NCUA to establish an independent appellate process to review material supervisory determinations. In 2017, the NCUA Board approved a final rule (part 746, subpart A) outlining the review process. After making a request for reconsideration from the RD, a credit union may request a review by the Office of Examination and Insurance or appeal directly to the Supervisory Review Committee. A credit union may also file an appeal with the NCUA Board challenging the decision by the Supervisory Review Committee.

Examination material supervisory determination is defined as written decisions by a program office that may significantly affect the capital, earnings, operating flexibility, or that may otherwise affect the nature or level of supervisory oversight of a credit union. The term includes, but is not limited to:

- Composite CAMELS ratings of 3, 4, and 5 and all component ratings of those composite ratings
- Adequacy of loan loss reserve provisions
- Loan classifications on loans that are significant as determined by the appealing credit union

To be appealable to the committee, an examination complaint must be filed by a credit union within 30 days of the Regional Office's final determination or the final determination of the Office of Examination and Insurance, if applicable. A complaint regarding a **FISCU**[2] examination may be made to the NCUA if the final determination was made by the NCUA examiner. If a final determination

[1]Regional Director
[2]Federally insured, state-chartered credit union

was made by the state examiner, the NCUA will turn the complaint over to the state for the appropriate action.

Material Supervisory Determination Exclusions

The following are excluded from the term "material supervisory determination:"

- A composite CAMELS rating of 1 or 2
- A component CAMELS rating, unless the rating has a significant adverse effect on the nature or level of supervisory oversight of an insured credit union
- The scope and timing of supervisory contacts
- A decision to appoint a conservator or liquidating agent for an insured credit union
- A decision to take prompt corrective action pursuant to section 216 of the Federal Credit Union Act and part 702 of the NCUA's regulations
- Enforcement-related actions and decisions, including determinations and the underlying facts and circumstances that form the basis of a pending enforcement action
- Preliminary examination conclusions communicated to an insured credit union before a final exam report or other written communication is issued
- Formal and informal rulemakings pursuant to the Administrative Procedure Act
- Requests for NCUA records or information under the Freedom of Information Act and part 792 of the NCUA's regulations and the submission of information to the NCUA that is governed by this statute and regulation, and
- Determinations for which other appeals procedures exist

Last updated July 31, 2018

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 **RD**[1] to the credit union within a 30-day timeframe on all appeals that involve material supervisory determinations

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Last updated July 29, 2015

Roles and Responsibilities

Division of Supervision

DOS[2] is responsible for coordinating the examination complaint investigation with **exam staff**[3]. Upon receipt of an examination complaint, DOS will:

- For **FISCUs**[4], review the complaint to identify if the NCUA or state made the final determination. If it was the NCUA, the complaint will be processed by DOS. If the state examiner made the final determination, the complaint will be forwarded to the state for processing.
- Review the complaint and identify if it is for a material supervisory determination.
    - DOS will ensure all actions are completed within 60 days. This includes complaints that are ultimately appealable to the committee

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[1]Regional Director

[2]Division of Supervision

[3]"exam 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.

[4]Federally insured, state-chartered credit union

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**[1] (or **ARDP**[2]) that includes a copy of the credit union's examination complaint. A copy of the examination complaint will be sent to the **Examiner**[3]-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 **RD**[4] 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**[5] SharePoint Post Office.

Regional Director

The RD, or their designee, will:

- Review all appeals
- Notify the **OIG**[6] 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

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[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[2]Associate Regional Director of Programs
[3]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.).
[4]Regional Director
[5]Office of Examination and Insurance
[6]Office of the Inspector General

Exam Staff Review

The SE will be responsible for investigating all complaints. If the SE is named in the complaint, the associate ARDP or their 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 RD's signature.

The SE may request an extension of the investigation timeframe for any complaint not governed by **IRPS**[1] 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.

Last updated January 27, 2016

Exam Complaints Templates

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

Last updated July 29, 2015

[1]Interpretive Ruling and Policy Statements are issued by NCUA's Office of General Counsel.

Examination Reports

The policies outlined in this NSPM section apply to all documentation prepared by the NCUA in relation to an examination or supervision contact when such documentation is delivered to a third party such as credit union management, a **CUSO**[1], or a vendor. These materials are part of the agency's formal administrative record, and represent important communication from the NCUA.

> The administrative record is the total collection of information needed for decision-making purposes. It must present a complete, factual, and fully documented history of a credit union's problems. It should also clearly document the efforts taken (or not taken) by both the credit union officials and the NCUA to resolve those problems.

Examiners[2] will ensure the administrative record documents their concerns about a credit union. Examiners must compile the administrative record through MERIT workpapers, examination/supervision contact reports or other written communications to credit union officials.

Last updated March 11, 2020

[1]Credit union service organization

[2]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.).

Examination Report

An examination report is the NCUA's official report to a credit union provided as the result of an examination, insurance review, or supervision contact. An examination report's key purpose is to communicate the results of the contact and any NCUA concerns to a credit union so it can make appropriate changes in its practices, operations, or financial condition and avoid more formal remedies. This is accomplished by identifying problems and providing corrective action. MERIT exam workpapers and schedules designed to support an examination report and examiner's conclusions are also important parts of the administrative record.

> The **FFIEC**[1] released the Policy Statement on the Report of Examination on March 6, 2019 as part of its Examination Modernization Project, which is aimed at reducing unnecessary regulatory burden on community financial institutions.

During an examination, team members use the total analysis process described in the Examiner's Guide, and send pertinent information on review areas to the **EIC**[2]. The EIC uses this information to prepare the examination report. The EIC usually delivers completed examination reports to the board of directors at the conclusion of an examination. A credit union board of directors and senior management are a report's primary users, and examiners and **EICs**[3] should write the report with this in mind.

> The EIC is the author of an examination report, regardless of whether changes occur to the report during the review process. If a material disagreement occurs between an EIC and the **SE**[4] during the report review process, the EIC may note their original position and objection to required changes in the Closed Information Questionnaire.

EICs will clearly label report documents as drafts before reviewing them with credit union officials, and will inform credit union officials that an exam report

[1]Federal Financial Institutions Examination Council
[2]Examiner-in-charge
[3]Examiner-in-charge
[4]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

is not considered final until it has officially been issued to the credit union officials.

Besides complying with the agency's general documentation standards, examination reports must be comprehensive and:

- Properly identify all material concerns related to the seven risk areas (credit, interest rate, liquidity, transaction, compliance, strategic, and reputation risk)
- Properly prioritize, support, and address material concerns
- Support conclusions with appropriate documentation, relevant facts, and citations and clearly document the rationale to support:
    - CAMELS component and composite ratings
    - Risk ratings
    - Noted violations of compliance with applicable laws and regulations
    - Any material supervisory determinations
- Outline proper corrective actions to ensure problems are resolved in a timely manner
- Establish a documented administrative record to support future administrative action and problem resolution, if necessary

Examiners[1] should set aside time throughout an examination to discuss any identified problems with management and officials. Examiners must provide a draft copy of the DOR, Examiner's Findings, and Loan Exceptions with sufficient time for Management to review before a joint conference or exit meeting. An EIC may not introduce new information that has not been provided to credit union management in advance at the joint conference, exit meeting, or in the final examination report.

> Examiners may withhold key assertions from management if they merit discussion directly with a credit union board of directors or supervisory committee. An example of such a circumstance is suspected fraud. More information about joint conferences and exit meetings is available in the NSPM.

[1]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.).

Last updated October 26, 2022

Report Components

For credit union examinations and supervision, an official examination report is comprised of the following documents:

Component	Requirement
Cover Letter	Required
Table of Contents	Required
Examination Overview	Required for an **FCU**[1] (and a **FISCU**[2], when the NCUA issues a report)
Document of Resolution	As applicable
Examiner's Finding	As applicable
Loan Exception Schedule (s)	As applicable
Supplementary Facts	As applicable
Status Update	As applicable
FISCU CAMELS Disclosure	Required for a FISCU

Only the workpapers and documents listed in the Table of Contents are part of the official examination report given to credit union officials. **Examiners**[3] will use the MERIT Exam Report Template to organize examination reports and document official report components and workpapers given to credit union officials. At a minimum, examiners must provide a credit union copies of the Cover Letter, Table of Contents, Examination Overview, and any other applicable report documents.

State regulator examination reports may contain different key documents and workpapers. NCUA examiners must follow FISCU procedures when conducting an examination or contact in a FISCU.

[1]Federal credit union

[2]Federally insured, state-chartered credit union

[3]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.).

Besides the official examination report documents, examiners may include additional supporting workpapers, schedules, checklists, or forms that support their conclusions within the official examination report.

Last updated October 26, 2022

Cover Letters

A cover letter must:

- Explain the risk-focused or defined scope of examination
- Explain the examination appeal process
- Describe key documents included in the examination report
- Include the names of the agency or agencies issuing the report
- Note the receiving credit union's name and charter number
- Identify the "as of" date of the exam report

Examiners[1] must use the standard cover letter template for the appropriate type of examination or contact (available in MERIT).

Last updated October 26, 2022

Table of Contents

Examiners[2] will use the MERIT Exam Report Template to organize examination reports and document official report components and workpapers given to officials. To create a Table of Contents, examiners must create the exam report in MERIT Exam Report form. This form creates a table of contents in a MS Word format and ensures the table of contents is visible in the examination report.

The table of contents and examination report serves as the NCUA's permanent record and documents what the NCUA provided to credit union officials.

[1]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.).
[2]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.).

While examiners may informally provide a credit union additional documentation necessary to support their conclusions and assist in gaining resolution to problems uncovered during the examination or supervision process (schedules, supporting workpapers, questionnaires, examiner-designed workpapers), only the workpapers and documents listed in the table of contents are considered part of the official examination report. Exam staff should add appropriate workpapers to the official examination report as needed to support the administrative record. Instructions are available in the NCUA and SSA MERIT User Guide.

Last updated October 26, 2022

Examination Overview

The Examination Overview is a critical element of an examination report. In it, examiners must disclose the component and composite CAMELS ratings and each final risk rating to the credit union. If no material risks exist, the examination overview is generally brief.

Examination overviews must be accurate, clear, thorough, and consistent with agency policy.

Accurate

The overview should accurately represent information observed by the examination team or provided by the credit union, and must justify the assigned CAMELS and risk ratings.

Examiners[1] must support the conclusions presented in the overview. Examiners should include the rationale behind assigned CAMELS and risk ratings by referencing appropriate documentation and providing relevant facts.

Clear

Examiners will apply standards established in the Plain Writing Act and the NCUA Communications Manual to create an overview that organizes information in a logical manner, while explaining and supporting the assigned CAMELS and risk ratings. Examiners may organize content by CAMELS component, risk rating (with an emphasis on how each risk rating impacts the CAMELS code), or topically (by issues identified in a credit union).

[1]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.).

All documentation prepared by NCUA staff should be fact-based, professional, and objective. Staff will use clear, concise, well-organized, language that is appropriate to the subject matter and the intended audience. Simple language and short sentences are generally the most effective.

Examiners will describe material concerns, the adequacy of a credit union's risk management practices, and the credit union's risk profile in clear terms. Examiners must also clearly outline the reasons for assigning CAMELS ratings, and such reasons must be consistent with 22-**CU**[1]-05 CAMELS Rating System (March 2022).

> For example, if an examiner has rated the Capital CAMELS component a 3, they should explain what conditions lead to the conclusion that capital does not fully support the credit union's current and prospective risk profile. Simply noting that a credit union's capital ratio is below peer is not sufficient--the examiner must outline the credit union's risk profile and explain why capital levels are less than satisfactory related to the risk profile.

Thorough

Examiners will prepare an Overview that:

- Summarizes areas of elevated risk (credit, interest rate, liquidity, transaction, compliance, strategic, reputation) identified during the examination; all risk ratings must be disclosed, and elevated risk areas must be summarized and justified
- Discusses the credit union's current and future risk profile and the adequacy of the credit union's risk management practices
- Explains and justifies CAMELS (component and composite) and elevated risk ratings
- Presents a professional, concise discussion of key issues in context of the credit union's overall condition

> References to other components of the examination report can minimize redundancy and direct readers to additional information contained in the report. Examiners should not duplicate content from a DOR, but briefly identify the problem(s) identified during the examination or contact and the

[1]Credit union; credit unions

effect on CAMELS and risk ratings, and refer credit union officials to the applicable **DOR**[1] section(s) of the exam report for more comprehensive information.

Examiners should provide enough information to allow credit union officials to understand the circumstances and information that lead to the assignment of CAMELS and risk ratings.

Conclusions for CAMELS ratings must be consistent with NCUA Letter to Credit Unions22-CU-05 CAMELS Rating System (March 2022). For example, if an examiner rates the Management CAMELS component 4, they must describe the specific circumstances that result in:

- Deficient management and board performance or risk management practices that are inadequate considering the nature of the credit union's activities,
- An excessive level of risk exposure, and
- The inadequate identification, monitoring, and controlling of significant risks.

Consistent with NCUA Guidance

Examination Overviews must be consistent with applicable NCUA policy.

Examiners must also prepare material that is consistent with agency guidance related to the preparation of written material (see NCUA Communications Manual) and the assignment of CAMELS and risk ratings (see Examiner's Guide). Additional guidance can be found in NCUA Letter to Credit Unions 22-CU-05 CAMELS Rating System(March 2022).

Such consistency ensures that all credit unions are evaluated in a fair manner and provided useful examination reports.

Last updated March 11, 2020

Document of Resolution

Problems included in a **DOR**[2] must be significant enough that an examiner would recommend escalating to the next level of elevated enforcement action

[1]Document of Resolution
[2]Document of Resolution

(for example, an RDL or LUA) for failure to correct the problem. DOR items are those that management must begin to address immediately or within a compressed timeframe due to the risk associated with the problem. A DOR must concisely describe a problem (including all supporting facts) and outline the corrective action necessary to resolve it.

Sometimes, a problem may take significant time to be fully resolved. In such an instance, a credit union must initiate action to address the items quickly, even if it may take a year or more to fully resolve the problem or comply with the corrective action item.

When developing a DOR, an examiner will detail the person(s) responsible, provide a citation(s) for the problem, and establish the timeframe for taking corrective action. The NCUA expects faithful performance from credit union management on all agreements reached and documented in a DOR. Credit union management's failure to address DOR items may result in administrative action.

In cases of unforeseen circumstances, such as a disaster or pandemic, **exam staff**[1] should be flexible and reasonable with DOR corrective action timeframes and follow up.

> Section 206(b)(1) of the Federal Credit Union Act gives the NCUA the ability to terminate insurance for unsafe and unsound practices. While a DOR may not lead to termination of insurance, the Act implies that credit unions must operate in a safe and sound manner as a condition of insurance. Section 741.3 of NCUA regulations also requires credit unions to operate in a safe and sound manner as a condition of insurance.

Last updated May 12, 2022

Issues — Document of Resolution

A **DOR**[2] is entered as an Issue in MERIT. Entering the DOR as an Issue in MERIT improves the administrative record by allowing unresolved DOR items to be tracked and updated. The Issues Management Section in MERIT allows

[1]"exam 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.
[2]Document of Resolution

examiners to track the status of all **DORs**[1] for which they are the Issue Owner, the Action Owner, or both.

Examiners[2] must use the Issues Management section in MERIT to draft a DOR. This can be done within an individual scope task or at the exam level. To ensure a full administrative record of the problem areas, examiners will:

- Create DOR Items and assign problem codes, assign Issues Owners, and assign Action Owners using the Issues section in MERIT.
- Ensure DOR items are consistent between the Issues section and the DOR issued to the credit union.
- Require credit union management to submit a written action plan within 30 days of receipt of the official examination report, if they do not agree to the DOR or adopt the DOR at the joint conference
    - If communication and negotiation efforts are unsuccessful and a DOR is not adopted, examiners will require management to provide an alternative resolution plan and note management's failure to adopt the DOR in the Closed Information Questionnaire. Exam staff will use elevated administrative action if management's action plan is insufficient to address the problem(s) and the problem(s) remain unresolved.
- Update the status of all DOR items from prior exams (resolved, unresolved, or no longer applicable) and provide appropriate documentation in Issue Management in MERIT.

If an **SSA**[3] provides a DOR to a credit union, but does not enter it as an Issue in MERIT, NCUA examiners must update the Issues Management Section in MERIT to document any DOR that meet the NCUA's definition of a DOR.

When preparing a DOR, examiners will:

- Describe the root problem(s) concisely, including any corresponding details and facts that support the conclusion that the problem warrants a

[1]Document of Resolution

[2]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.).

[3]State Supervisory Authority

DOR item in the description box of the Issue Details form.

  - For example, in a credit union with multiple accounts that are out of balance, the DOR should address the cause of the poor record-keeping rather than only requiring the credit union to balance the accounts. The credit union must not only balance all accounts, but also ensure staffing, controls, and procedures are in place to prevent future out-of-balance situations

- Outline appropriate corrective action to resolve the identified problem in the Actions Description section of the Issue Details form.
  - Examiners should use corrective actions suggested by credit union management if the action will adequately resolve the problem.
- Document the agreed-upon timeframe(s) for completion in the due date box in the Issue Details form.
  - Do not cite "ongoing" as the timeframe for correction.
- Cite the specific section of the Federal Credit Union Act, NCUA regulations,Federal Credit Union Bylaws, or other authority
  - For safety and soundness concerns that present undue risk to a credit union, examiners should cite § 206(b)(1) of the Federal Credit Union Act or § 741.3 of the NCUA's regulations. If a credit union violates more than one of the above, cite the highest authority.
- Identify the specific person(s) or committee(s) responsible for correcting each DOR item by name and title. This can be done in the Action Owner box if the credit union is a MERIT user or listed in the Actions Description box if the credit union is not a MERIT user.

During the course of a **WCC**[1] 26/3.1 **FISCU**[2] Regular review, NCUA examiners will add any problem codes (and associated corrective action) needed beyond those entered by the SSA to complete a review of a state exam.

Last updated October 26, 2022

[1]Work Classification Code
[2]Federally insured, state-chartered credit union

Content Criteria

Problems requiring immediate attention that examiners will address in a **DOR**[1] include:

- Systemic, recurrent, or willfully negligent compliance violations
- BSA violations, in accordance with the agreement between the NCUA and **FinCEN**[2]
- Unsafe or unsound practices that reasonably threaten a credit union's stability
- Unsafe or unsound practices are any action or lack of action that, if left uncorrected, may result in substantial loss or damage to a credit union or its members, including but not limited to:
    - Operating with an inadequate level of net worth or capital for the type, quality, and concentration of assets held
    - Engaging in lax lending and/or collection practices that include, but are not limited to:
        - Extending inadequately secured credit
        - Originating credit without obtaining current financial information
        - Extending credit without adequate controls
        - Extending credit with inadequate diversification of risk
    - Operating without adequate liquidity
    - Operating without adequate internal controls
        - Examples include internal control weaknesses that can lead to persistent recordkeeping errors, numerous loans granted outside of policy, or manipulation of records
    - Failure to keep accurate books and records. This includes an accounting and control structure that does not provide for accurate full and fair disclosure of financial statements, which may lead to or mask severe financial problems

[1]Document of Resolution
[2]Financial Crimes Enforcement Network

- Operating without a credit risk management program commensurate with the types of credit extended to the membership
- Operating without an asset/liability risk management process commensurate with the complexity of the balance sheet
- Inadequate corporate governance

When determining whether a problem qualifies as a DOR, examiners will consider the following:

- If left unresolved, could the violation or problem cause the credit union serious financial or operational damage?
- Does the problem result in fundamental noncompliance with laws and/or regulations?
- Is the problem something that would need to be escalated to the next level of enforcement action (**PWL**[1], **LUA**[2], etc.) if unresolved?
- Is the problem a result of management's inability or unwillingness to properly identify, measure, monitor, and control risk?
- Is the problem widespread throughout the credit union?

While problems that meet the criteria above likely warrant a DOR, examiner judgment is necessary to determine whether a problem meets the definition of a DOR. **Examiners**[3] will consider the circumstances surrounding a problem and the relative impact on a credit union when determining if a practice is unsafe or unsound at a particular credit union.

If a problem has been ongoing for many years, examiners must use judgment to determine whether it meets the definition for a DOR. Examiners should take the appropriate action, which may include:

- Marking a DOR no longer applicable (**NLA**[4]) because it has not caused harm to a credit union's financial or operational condition
- Issuing a new corrective action plan to better address the root cause of the problem

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[1]Preliminary Warning Letter

[2]Letter of understanding and agreement

[3]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.).

[4]No longer applicable

- Moving the problem to the **Examiner**[1]'s Findings
- Recommending escalated enforcement action

Last updated March 11, 2020

Exclusions

Examiners[2] should refrain from documenting every problem in a **DOR**[3]. Specifically, examiners should not document the following items in a DOR:

- **Suggestions or items for management to consider.** Examiners may provide suggestions, recommendations, or options a credit union should consider in the Supplementary Facts section of an exam report.
- **Broad or overly general statements that require a credit union to "comply with the examination report" or to correct problems included in the Examiner[4]'s Findings section.** The cover letter attached to each examination report will outline management's responsibilities, which include acting on the report to correct all deficiencies. CAMELS and risk ratings should reflect management's ongoing failure to correct problems noted in the DOR or Examiner's Findings, if necessary.
- Examiner's Findings that are only escalated because they have gone unresolved. Numerous uncorrected Examiner's Findings may be indicative of uncooperative or ineffective management and may impact a credit union's CAMELS rating, its risk ratings, or both. A DOR to address uncooperative or ineffective management may be warranted in such circumstances. If circumstances change and the unresolved Examiner's Finding subsequently meets the criteria for a DOR, examiners should document the problem and corrective action in the DOR.
- **Blanket statements that require a credit union to comply with an LUA**. By signing, credit union management agrees to correct the deficiencies noted in an **LUA**[5]. To maintain the administrative record,

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[2]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.).
[3]Document of Resolution
[4]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.).
[5]Letter of understanding and agreement

examiners must document the status of an LUA in the examination report.

- A DOR issued to a credit union with an outstanding LUA may only include new problems and corrective action plans that are not already addressed in an LUA.
- For **DORs**[1] that are issued and then incorporated into an LUA, the examiner should continue to include them in the Issue Management thereby maintaining them as an Issue in MERIT.
- If a credit union fails to comply with an LUA, examiners should discuss the need for additional enforcement action with the **SE**[2]. At a minimum, the CAMELS and risk ratings should reflect management's failure to comply with an LUA.

Last updated October 26, 2022

Development Process

The development of a **DOR**[3] is outlined in the DOR development decision tree, which begins with discussing the identified problem or problems with management and working to reach agreement that a problem(s) exists. **Examiners**[4] will ask credit union management to develop an acceptable corrective action plan, or plans, to resolve the problem(s) identified in a DOR.

When drafting a DOR, examiners will:

- Use the "SMART" principle when developing a corrective action plan (Specific, Measurable, Achievable, Results-oriented, and Timely)
- Begin corrective action plans with an action verb
- Tailor the DOR and corrective action plans specifically to the credit union and the experience of the management team
    - Corrective action plans will generally be more detailed and specific in credit unions that have more complex problems and/or less sophisticated management.

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[1]Document of Resolution

[2]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

[3]Document of Resolution

[4]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.).

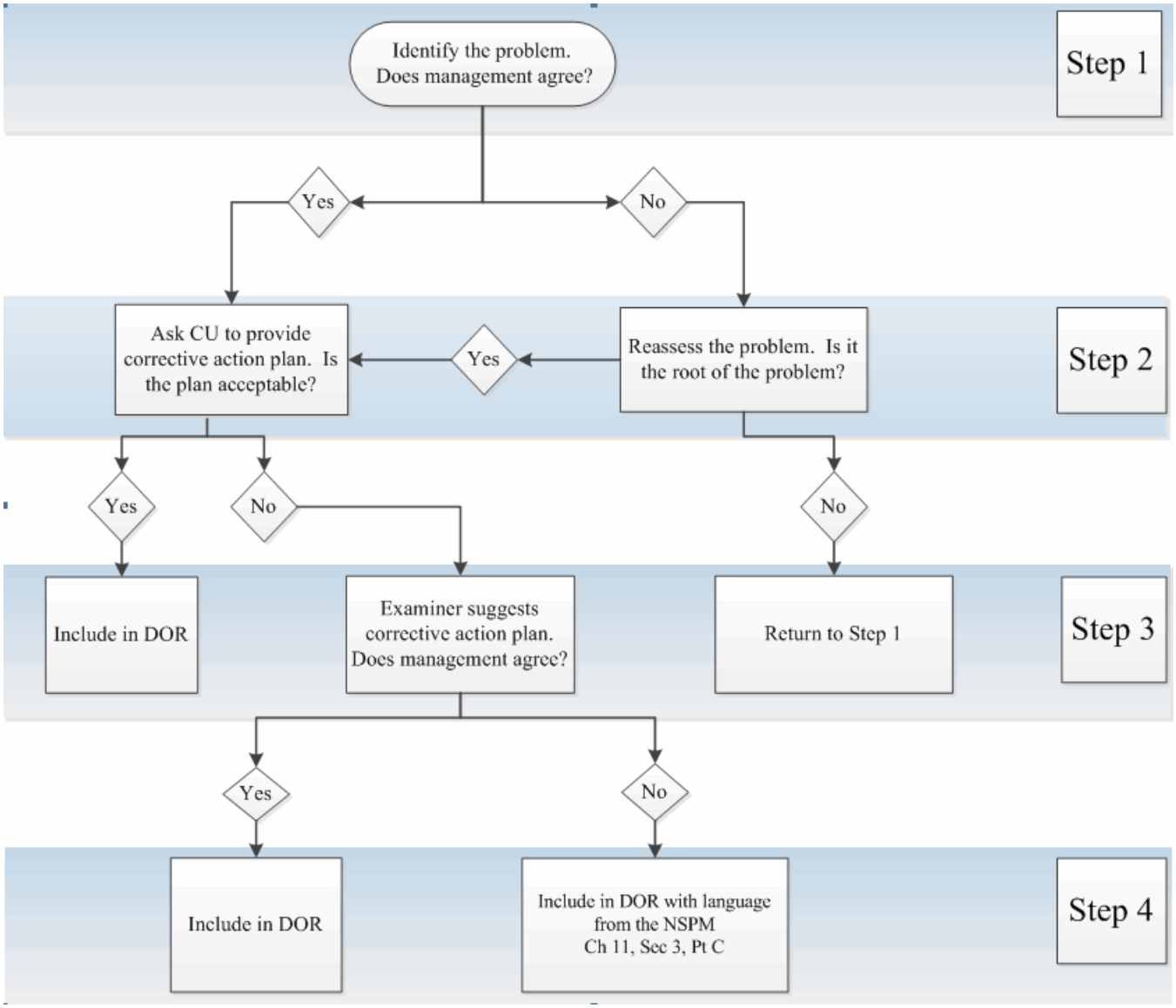
- Prioritize the order of DOR items, placing the most critical problems up front
    - Examiners should ensure the DOR focuses only on the most critical items at that contact.
- Categorize similar or related DOR items into logical groups when practical
    - For example, group four separate DOR items related to credit risk weaknesses under a "Credit Risk Management" sub-heading in the DOR.

Examiners should work with credit union management to develop reasonable goals to include in a DOR. Examiners should consider issuing individual **DORs**[1] to achieve quarterly goals if a DOR corrective action plan will take more than one year to reflect full compliance. Each individual DOR should include an applicable timeframe for completion.

When presenting a final examination report to the officials, examiners should request the board of directors enter a formal board resolution into the minutes to document agreement to resolve all DOR items.

Last updated March 11, 2020

[1]Document of Resolution



Request Monthly Financial Statements

The NSPM's **FCU**[1] and **FISCU**[2] Program sections instruct examiners to obtain monthly financial statements for all troubled institutions where the financial condition is a problem and the credit union represents significant risk to the **NCUSIF**[3].

Because credit unions requiring monthly monitoring generally have material concerns, examiners may document the requirement to send monthly

[1]Federal credit union
[2]Federally insured, state-chartered credit union
[3]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.

financial statements and board packets in a **DOR**[1]. This provides documentation that management has agreed to submit these items to the examiner by a specified time each month. When including this action item in the DOR, examiners will use the transaction risk option under the risk areas in the Issue Management section.

Last updated October 26, 2022

Cease or Suspend Credit Union Activity

Examiners[2] will use the following process when issuing a **DOR**[3] that requires a credit union to cease or suspend an activity.

Step	Notes
1. Obtain and document **SE**[4] approval or disapproval in the Closed Information Questionnaire when issuing a DOR that requires a credit union to cease an activity.	Depending on the severity of the situation, escalated administrative action (RDL, LUA, **C&D**[5], etc.) may be necessary.[6] 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 besides a DOR. Clearly outline the steps the credit union must take to resume the activity in the DOR.
2. Identify when you will perform a follow-up contact (on or off-site)	Include this time in the Examinable Entity Form in MERIT.

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[1]Document of Resolution

[2]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.).

[3]Document of Resolution

[4]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

[5]Cease and desist

[6]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
to determine if the credit union has complied with the DOR item based on the timeframe for completion provided to the credit union.	
3. Instruct the credit union to contact the **RD**[1] in writing when it has taken the steps outlined in the DOR item and wants to resume the activity (this is done through the examination report).	The regional office will then notify the examiner and SE.
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 a MERIT contact and issue a report to officials notifying them of whether they have met the requirements to resume the activity.	If the credit union has inadequately corrected the problem(s), outline the remaining steps it must take to resume the activity.

This process does not prohibit an examiner from issuing DOR corrective action items to address the residual risk of the activity with timeframes for completion that correspond with the examiner's supervision plan.

Last updated October 26, 2022

Disagreements

If management disagrees with a problem identified in a **DOR**[2], the **EIC**[3] will evaluate the reasons for the disagreement and ensure the core problem(s)

[1]Regional Director
[2]Document of Resolution
[3]Examiner-in-charge

have been identified. Once the core problem(s) is identified and agreed upon, the EIC will ask management to develop an acceptable corrective action plan (s).

If management cannot provide an acceptable corrective action plan, the EIC will develop a plan and strive to get management's agreement. If management does not agree to comply with an EIC-developed corrective action plan, the EIC will:

- Weigh management's failure to identify and resolve problems in the management component and overall composite CAMELS ratings
- Incorporate the following language into the DOR, along with the EIC-developed corrective action plan:
    - "These plans for action, although not approved by the credit union officials, are recommended to correct the area of concern. The officials have agreed to review the plans and to notify the Regional Director, National Credit Union Administration, (ADDRESS), by (DATE), of the actions to be taken."

Acceptable corrective action plan(s) developed by either a credit union or an examiner must be included in the finalized DOR.

For problems an examiner determines to be particularly severe, the EIC will notify their supervisor and consider drafting an RDL urging credit union officials to either accept the resolution offered in the DOR or to formulate an acceptable alternate plan that recognizes and resolves the problem(s). However, when agreement cannot be reached and the overall risk to a credit union warrants it, it may be necessary to recommend escalated administrative action.

Examiners[1] should document all cases of disagreement and the intended steps to ensure proper resolution and follow-up of the problems identified in the Closed Information Questionnaire of the MERIT record. If an examiner suspects or has identified fraud or ethical concerns, a more unilateral approach may be necessary. In such instances, examiners should notify the supervisory examiner.

Last updated October 26, 2022

[1]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.).

Follow-up

Generally, examiners should follow-up on **DOR**[1] items within 120 days after the completion due date has passed. In the case of CAMELS 3, 4, and 5 credit unions, the current follow-up supervision requirements outlined in the District Management section of this manual will allow for adequate follow-up on **DORs**[2].

> If an examiner cannot complete a follow-up within the 120 day timeframe, they must document the reason a follow-up contact was not completed, along with **SE**[3] approval, in the Closed Information Questionnaire.

In a composite CAMELS 1 or CAMELS 2 credit union with a DOR, examiners should evaluate whether a CAMELS 1 or 2 rating is warranted. If it is, the examiner can set the timeframe for completion to coincide with the next scheduled contact or examination. If a time-sensitive DOR needs to be completed before the next scheduled contact or examination, examiners will follow-up within 120 days of the timeframe for completion.

Examiners[4] will follow-up on outstanding DOR items through supervision. Examiners must follow policy outlined in this manual (see FCU Program and Procedures and FISCU Program and Procedures) when completing on- and off-site supervision.

Examiners should track DOR timeframes for completion and follow-up with credit union management by phone or e-mail to discuss the status of DOR items as part of offsite supervision. Examiners will mark DORs that can be confirmed offsite as resolved or unresolved in the Issue Management Section accordingly and close the MERIT contact.

For items that must be reviewed onsite, examiners will determine their status and update the Issue Management section at a credit union's next scheduled onsite contact. For simplicity, examiners may consider using the next scheduled contact date to determine the timeframe for completion.

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[1]Document of Resolution

[2]Document of Resolution

[3]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

[4]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.).

When onsite for a follow-up contact or at the next examination, examiners should include review of the prior DOR in the examination scope. If an examiner identifies an unresolved DOR item, they should first identify why the item is unresolved to properly address and resolve the recurring problem. The reason a DOR item remains unresolved will determine the subsequent steps necessary.

When determining appropriate follow-up action, examiners should consider whether a corrective plan has proven to be unachievable or unreasonable, and management's response to the plan.

Last updated October 26, 2022

Written Response

If a credit union fails to take corrective action within the timeframe stated in a **DOR**[1], the examiner must request the credit union submit a written response. This applies to all credit unions, regardless of CAMELS rating.

Examiners[2] may include an action item in the DOR requiring a credit union to provide a written response to the examination report by a specific date. Examiners may also address this request in any other section of the examination report as needed. When including this action item in a DOR, examiners will use the Non-reportable (Discussion-Only) Disposition risk option in the DOR Issue.

Last updated October 26, 2022

Closed (Resolved) or NLA DOR Items

Examiners[3] must close **DOR**[4] Issues when the credit union has implemented the Action agreed upon in the corrective action plan, even if a credit union's financial trends do not yet reflect the improvements the actions were intended to correct.

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[1]Document of Resolution

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[3]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.).

[4]Document of Resolution

Example: A credit union agrees to a DOR corrective action plan that requires the institution to reduce operating expenses to address negative earnings and a high operating expense to average asset ratio. Upon follow-up, the examiner finds that, while the credit union has made adequate expense cuts, the operating expense to average asset ratio remains high. The ratio will not reflect the full impact of the expense cuts for two more quarters. The examiner should close the DOR Action and Issue.

When closing a DOR Issue, examiners may address any ongoing risk associated with the corrective action plan in a variety of ways that include, but are not limited to:

- Documenting the credit union's compliance with the DOR in the Resolution Summary field of the Issue form in **ISM**[1] and can also document elsewhere in the Examination Overview
    - Examiners may document that management should continue to monitor a specific operating area or risk area until the credit union reaches an agreed-upon goal.
- Creating a new DOR Issue and Action for the credit union to achieve an agreed-upon goal (examiners should provide a resolution timeframe that provides adequate time to accomplish the goal)

There may be instances when an examiner will need to close a DOR Issue in Issue Management, even though it has not been resolved because the issue is no longer applicable. Examiners must provide a comment in the Issue Resolution Summary field of the form when closing an Issue that is no longer applicable.

Last updated February 2, 2023

Recurring or Unresolved DOR Items

Examiners[2] must ensure that items significant enough to be included in a **DOR**[3] are resolved in a timely manner. For any credit union with a recurring or

[1]Issues Management in MERIT

[2]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.).

[3]Document of Resolution

unresolved DOR item, regardless of its CAMELS rating, **exam staff**[1] will:

- Ensure repeat problem areas are properly noted, with accurate comments and accurate dates of identification
    - When the original identification date is used for a repeat DOR item, examiners will ensure the corrective action is the same as the previous DOR (not necessarily the wording, but the type of corrective action).
- Document credit union officials' failure to adequately resolve problems by placing an asterisk beside the repeat DOR item and include a footnote, "This is either a repeat or carry-over DOR. Please see the DOR Status Update document for specific information on individual DOR items."
- Consider the quality of management, and weigh management's failure to resolve problems in the management CAMELS component and overall composite rating

If a credit union fails to take corrective action within the timeframe stated in a DOR, the examiner will require the credit union to submit a written response. This applies to all credit unions, regardless of their CAMELS rating. If a credit union fails to take the corrective action agreed to at the last examination/supervision contact, examiners will document why management failed to take corrective action in the Issue Management section. If additional documentation is necessary beyond what is provided to a credit union in the DOR or other sections of the exam report, examiners may use the Closed Information Questionnaire.

If a credit union fails to address outstanding DOR items, the examiner will recommend additional enforcement action, such as an RDL, LUA, or PWL.

If the supervisor disagrees with additional enforcement action, examiners will document the rationale in the Closed Information Questionnaire, as well as the nature of the problem, agreements to correct the problem, their supervision plans, and the reason no additional enforcement action was pursued.

Last updated October 26, 2022

[1]"exam 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.

Quality Control

E&I[1] periodically reviews reports and samples examinations to ensure compliance. E&I will notify the regions of any long-standing problems and **DOR**[2] items. Regions are responsible for following up with **exam staff**[3].

Last updated March 11, 2020

Examiner's Findings

The **Examiner**[4]'s Findings reflect problems that credit union management must address, but which do not currently threaten the viability of the credit union or represent systemic violations. Management can determine the timeframe and approach for correcting these problems, and can do so in the normal course of business.

Repeated failure to resolve problems in the Examiner's Findings could indicate a serious underlying management deficiency and result in a DOR to address management's lack of controls to ensure problem resolution. However, failure to resolve these problems does not automatically warrant escalating a finding to a **DOR**[5]. **Examiners**[6] should determine the root problem and determine if that meets the DOR content criteria.

Generally, Examiner's Findings only include a statement of a problem. Examiners may provide a recommended corrective action to resolve a problem when necessary, such as when a credit union needs specific direction or asks for guidance on correcting certain problems.

When drafting an Examiner's Finding, examiners should cite the specific section of the Federal Credit Union Act, NCUA regulations, Federal Credit Union Bylaws, or other authority that applies to the subject matter. If a credit union has violated more than one authority, examiners should cite the highest authority.

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[1]Office of Examination and Insurance

[2]Document of Resolution

[3]"exam 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.

[4]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.).

[5]Document of Resolution

[6]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.).

Unresolved Prior Examiner's Findings

If an examiner discovers that a credit union has not corrected prior Examiner's Findings, they must determine the reason behind the lack of resolution and the materiality of the concern. Numerous uncorrected Examiner's Findings may indicate management is uncooperative or ineffective, which may suggest the need for other administration action.

At a minimum, examiners should list any uncorrected Examiner's Findings noted during previous examinations under a heading such as "Examiner's Findings Noted at Previous Examination Not Yet Corrected," or by identifying the Examiner's Finding and including a similarly worded footnote. Examiners should not automatically escalate repeat Examiner's Findings to a DOR.

Last updated March 11, 2020

Loan Exceptions Schedule(s)

Examiners[1] should list weaknesses in loan underwriting, lack of compliance with credit union underwriting policies, regulatory compliance issues, etc. on the loan exceptions schedule(s).

If used, examiners will include the loan exceptions schedule(s) in the official examination report. If the loan review reveals material or systemic weaknesses, the examiner should address these issues in other portions of the examination report as needed.

Last updated March 11, 2020

Status Update

Exam staff will use the Status Update template to document a credit union's compliance with outstanding administrative actions (LUA, PWL, etc.) and NWRPs. For each document, **exam staff**[2] should provide a separate Status Update. For example, if a credit union has an outstanding **LUA**[3] and **NWRP**[4], exam staff will create a Status Update for each of the outstanding documents.

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[2]"exam 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.
[3]Letter of understanding and agreement
[4]Net Worth Restoration Plan(s)

At a minimum, exam staff will include each outstanding corrective action or goal and the most current status of each in the Status Update.

Exam staff will include the Status Update(s) in the official examination report provided to credit union officials. However, if a credit union does not have any outstanding enforcement actions or an NWRP, exam staff should exclude this document from the report.

When upgrading a credit union from a CAMELS 4 or 5, or removing an LUA, exam staff must complete a Status Update.

Last updated March 11, 2020

Supplementary Facts

The primary purpose of the Supplementary Facts document is to provide additional, detailed information that enhances or supports issues already discussed in the Examination Overview or other portion of the examination report.

Examples of items to discuss in the Supplementary Facts include:

- Background information related to specific concerns documented elsewhere in the examination report. For example, a detailed analysis of **IRR**[1] modeling concerns, which may not be appropriate for an overview discussion but should be documented and shared with credit union officials.
- Information about new laws or regulations that impact or will soon impact a credit union.
- Background information on more detailed or complex accounting issues affecting the credit union.
- Other issues such as bond claims, fraud concerns, or contingent liabilities that warrant further discussion.

If the Supplementary Facts include discussion of issues that affect a credit union's operations or information supporting other documents in the examination report, examiners must include it with the official examination report provided to the officials.

[1]Interest rate risk

However, if an examiner only includes content provided for informational purposes (for example, to provide recommendations or suggestions), they can exclude the Supplementary Facts document from the official examination report and only provide it to management informally.

Last updated March 11, 2020

Supporting Workpapers

Besides the examination report documents provided to a credit union, examiners must complete and include sufficient workpapers in MERIT to support the examiner's conclusions, and the NCUA's administrative record. As outlined in the NSPM, national guidance dictates the required workpapers for each type of examination or contact.

Examination Scope

The examination scope describes the type, depth, and results of review conducted within each risk area during a credit union examination and, in some cases, supervision contact. Additional guidance on completing the scope tasks can be found in the following:

- FCU Program and Procedures section of the NSPM
- FISCU Program and Procedures section of the NSPM
- Chapter 7 of the NCUA and SSA MERIT User Guide

The most recent NCUA Instruction 5000.20, Examination Scope, discusses expectations for conducting reviews of specific areas in more detail.

Exam Form Console

The Exam Form captures basic information for all contact types. There are several tabs in the Exam Form, of which include:

1. General Exam Information
2. Time Detail
3. Completion Information

Consumer Compliance Violations

Examiners[1] must document violations of federal regulation detected during the examination and supervision process as Consumer Compliance Violation Issues in MERIT. Examiners will follow the procedures for **BSA**[2] violations outlined in the BSA Enforcement section of the NSPM.

MERIT Questionnaires

MERIT questionnaires are available to assist examiners in completing examination steps. Examiners must include all questionnaires required in the applicable scope tasks.

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

Last updated October 26, 2022

Effective Writing

Staff must prepare documents in accordance with the NCUA Communications Manual and plain writing guidelines. All documentation prepared by NCUA staff should be fact-based, professional, and objective. Staff will use clear, concise, well-organized, language that is appropriate to the subject matter and the intended audience. Simple language and short sentences are generally the most effective.

Following such guidelines helps improve the effectiveness of written materials by making information easier for the recipient(s) to understand. **Examiners**[3] should consider the needs of their readers and avoid the use of jargon and overuse of technical terms, acronyms, adjectives, and adverbs. When considering an abbreviation, or how many to use, examiners should keep in mind that abbreviations should make a document easier to understand. The effectiveness of documentation is significantly diminished if the overuse of abbreviations make a document harder for readers to understand by forcing them to refer to the list of approved abbreviations provided in the NCUA Communications Manual.

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[1]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.).

[2]Bank Secrecy Act

[3]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.).

While each examiner will develop an individual style of writing, the following suggestions may be helpful in increasing effective communication:

- Organize content with the reader in mind. Accurate and descriptive topical headings, in order of importance, promote reader interest.
- Comments should be as brief as possible while still retaining accuracy and clarity.
- Comments should be factually objective and not phrased as criticisms of particular individuals.
- Limit comments related to minor issues, recommendations, or material concerns that were corrected during the examination.
- Ratios or percentages are meaningful to examiners, but their significance is not always apparent to credit union officials. Examiners should not rely on ratios alone to convey ideas. Cited ratios should support a conclusion or recommendation, and should be explained to the reader.

Plain Language

The NCUA is responsible for ensuring that agency staff prepare documents according to plain writing guidelines. The plain writing guidelines used by the NCUA can be found at PlainLanguage.gov. Plain language is communication your audience can understand the first time they read or hear it; it is easy to understand and use.

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

- Write for the average reader
- Organize content to serve the reader's needs
- Remove unnecessary words
- Avoid “nesting” information in more than two or three levels
- Use short sections and sentences
- Use familiar words
- Simplify complex material using lists and tables
- Express requirements with "must" (avoid "shall," which is ambiguous)
- Use active voice

- Place words carefully (avoid large gaps between the subject and object and place modifiers appropriately)

Last updated March 11, 2020

Citations

Examiners[1] may cite a credit union for violating a law, regulation, or failing to comply with enforcement orders or other enforceable conditions.

> **Note**: Examiners may not cite a credit union for violating supervisory guidance. Refer to the References section for further details.

When citing a violation, examiners will:

- Cite the highest, most specific authority
- List multiple citations, if necessary
  - Exam staff may also include references. For example, examiners should cite § 741.3(b)(5) for violations of the **IRR**[2] rule, but can also reference NCUA Letter to Credit Unions 12-**CU**[3]-11 to provide a credit union additional information regarding the regulation.
- Refrain from citing "safety and soundness" or "unsound business practice" (if necessary, cite § 741.3 of NCUA regulations, as appropriate)
- Use "part" when referring to the entire part of a regulation ("part 723" or "part 702")
- Use "Section" (when a citation appears at the beginning of a sentence) or "§" when referring to a specific section of a regulation ("Section 723.8" or "§ 723.8")

> Section 206(b)(1) of the Federal Credit Union Act gives the NCUA the ability to terminate insurance for unsafe and unsound practices. While a **DOR**[4] may not lead to termination of insurance, the act implies that credit unions

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[2]Interest rate risk
[3]Credit union; credit unions
[4]Document of Resolution

must operate in a safe and sound manner as a condition of insurance. Section 741.3 of the NCUA regulations also requires credit unions to operate in a safe and sound manner as a condition of insurance.

The following hierarchy of citations includes the most common citations used by NCUA examiners. Laws and statutes are the highest authority an examiner can cite, followed by rules and regulations. Examiners should always cite the highest, most specific authority. Below are a few examples of laws, statutes and regulations.

1. Laws and statutes

- Federal Credit Union Act
- Federal consumer financial protection laws
- State law

2. Rules and regulations

- NCUA regulation (including preamble, as needed)
- Federal consumer financial protection regulations
- Federal Credit Union Bylaws
- **GAAP**[1]/FASB rules

Exam staff may cite the NCUA regulations, including appendices, in MERIT Issues, unless the appendix specifically states it is only providing guidance or the specific provision(s) use non-mandatory wording such as "should." If the appendix states it is only guidance, **exam staff**[2] should examine the source of the authority for the guidance, which is in the main part of the regulation or the appendix (for example, the Gramm-Leach-Bliley Act and Fair Credit Reporting Act are the authority for Appendix A to part 748). In these cases, exam staff should note the source of authority as the Citation and the Appendix as Guidance in the MERIT Issue.

[1]Generally Accepted Accounting Principles

[2]"exam 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.

Last updated February 2, 2023

References

Examiners[1] may reference regulator or industry guidance and manuals to provide additional information or clarity to credit union officials. Guidance and manuals do not have the force and effect of law—the NCUA does not take enforcement actions based on such guidance.[2] Examiners may not criticize a credit union for "violating" guidance or a manual.

Examiners may not cite a credit union for violating guidance.

In general, guidance outlines an agency's supervisory expectations or priorities and articulates an agency's general views regarding appropriate practices for a subject area. Examples of practices that an agency generally considers consistent with safety-and-soundness standards or other applicable laws and regulations, including those designed to protect consumers, are often presented in such guidance.

When an examiner identifies unsafe or unsound practices in an area that does not constitute a violation of law or regulation, or other deficiencies in risk management (including compliance risk management), they may reference guidance to provide examples of safe and sound conduct, appropriate consumer protection and risk management practices, and other actions for addressing compliance with laws or regulations.

Regulator or industry guidance

- FFIEC guidance
- NCUA IRPS (including preamble, as needed)
- NCUA General Counsel Opinion Letter
- NCUA Letters to Credit Unions and other guidance
    - Letters to Credit Unions
    - Letters to Federal Credit Unions

[1]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.).
[2]Government regulations generally have the force and effect of law. Such regulations generally take effect only after an agency proposes a regulation to the public and responds to comments on the proposal in a final rulemaking document.

- Risk Alerts
- Regulatory Alerts
- Accounting Bulletins
- Policy statements
- FAQs
- Interagency guidance

Regulator or industry manuals

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

Last updated March 11, 2020

Fair Lending Examination Program and Procedures

The NCUA created its Office of Consumer Financial Protection in 2010 to demonstrate the increased importance the agency places on consumer protection. The **OCFP**[1] is responsible for consumer compliance policy, program, and rulemaking, fair lending examinations, interagency coordination for consumer financial protection and compliance issues, consumer complaints, and financial literacy programs.

With the exception of **FCUs**[2] that have more than $10 billion in assets (which are under the supervisory authority of the CFPB for consumer financial protection matters), the NCUA enforces the Equal Credit Opportunity Act and Regulation B in FCUs, and the Home Mortgage Disclosure Act and Regulation C in all federally insured credit unions. The OCFP's Division of Consumer Compliance Policy and Outreach is responsible for conducting fair lending examinations and off-site supervision contacts, as well as HMDA enforcement.

The NCUA also assesses compliance with the Fair Housing Act and reports violations to the Department of Justice. The NCUA conducts on-site fair lending examinations and off-site supervision contacts with FCUs to assess compliance with fair lending laws using the **FFIEC**[3] Interagency Fair Lending Examination Procedures (Aug. 2009). For more information regarding the OCFP's fair lending reviews, visit the Fair Lending Compliance Resource section of the Consumer Compliance Policy and Outreach's SharePoint site.

Last updated September 30, 2019

Roles and Responsibilities

OCFP Responsibilities

Risk Assessment and Credit Union Selection

- Request recommendations for fair lending examinations and off-site supervision contacts from regional offices at least annually

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[1]Office of Consumer Financial Protection
[2]Federal credit union
[3]Federal Financial Institutions Examination Council

- Analyze HMDA data provided annually to the NCUA from federally insured credit unions, in coordination with the Office of the Chief Economist
- Select **FCUs**[1] for on-site fair lending examinations and off-site supervision contacts based on a credit union's fair lending risk profile (which includes information provided by regional offices) and member discrimination complaints
    - **OCFP**[2] will attempt to work high-risk referrals into each year's schedule of examination and supervision contacts.
- Notify the appropriate regional office and seek input before contacting the credit unions selected for a fair lending examination. The notification will include:
    - A list of FCUs selected, along with a summary of the basis for selection and any preselected focal points to be reviewed
    - A request for the date of each credit union's next safety and soundness exam and point of contact (supervisory examiner or district examiner), if available
    - A request for information on any unusual circumstances OCFP should consider before proceeding with a fair lending examination
- Notify the appropriate regional office of the reason why a fair lending examination request was not accepted

Examinations, Supervision Contacts, and Follow Up

- Notify credit unions at least four weeks in advance of the fair lending examination or off-site supervision contact
    - OCFP will provide the appropriate regional office with a courtesy copy of credit union notification letters.
- Request volunteers to assist with fair lending examinations and supervision contacts, as needed, through a Notice of Interest to all NCUA staff, in consultation with the Office of Human Resources

[1]Federal credit union
[2]Office of Consumer Financial Protection

- Complete fair lending examinations and off-site supervision contacts according to guidelines outlined in the FFIEC Interagency Fair Lending Examination Procedures
- Recommend corrective action, including informal or formal administrative action or **DOJ**[1] referral, when deficiencies are identified in a fair lending examination or supervision contact
    - OCFP will consult with the appropriate regional office before recommending a referral to DOJ.
    - OCFP will copy the appropriate regional office on OCFP Director Letters, and will consult with the appropriate regional office before issuing an **LUA**[2], **PWL**[3], or **C&D**[4].
- Track, monitor, and follow-up on compliance with corrective actions including, but not limited to, **Examiner**[5]'s Findings and **DOR**[6] items, as needed
- Participate, as resources permit, on fair lending reviews conducted during safety & soundness examinations

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

HMDA Late and Non-Filers

- Analyze HMDA data to determine if any federally insured credit unions that were required to file HMDA data for a specific year either did not do so in a timely manner or failed to file.
- Notify appropriate regional offices of any HMDA late or non-filer federally insured credit union

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[1]U.S. Department of Justice
[2]Letter of understanding and agreement
[3]Preliminary Warning Letter
[4]Cease and desist
[5]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.).
[6]Document of Resolution

- OCFP will consult with the appropriate regional office before issuing **PWLs**[1], or sending OCFP Director Letters or **CCPO**[2] Director Letters to federally insured credit union concerning a HMDA late or non-filer matter. OCFP will copy the appropriate regional office and, if applicable, the appropriate **SSA**[3] on any PWLs, OCFP Director Letters or CCPO Director Letters sent to a federally insured credit union concerning a HDMA late or non-filer matter.

Regional Office Responsibilities

- Respond to OCFP's annual request for recommendations regarding which credit unions to examine or supervise
  - The regional office will provide the name and charter number of credit unions with elevated fair lending risks, as well as a brief description of the basis for the recommendation.
- Submit high-risk cases to OCFP on an ad hoc basis
- Consult with OCFP on fair lending related **LUAs**[4], PWLs, C&Ds, and DOJ referral cases
- Notify the appropriate SSA of information provided by OCFP concerning any HMDA late or non-filer state chartered credit union

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Last updated January 22, 2018

Federal Credit Union Selection for Review

OCFP[5] selects **FCUs**[6] for either an on-site fair lending examination or an off-site supervision contact based on a credit union's risk profile. Federal credit unions selected for a fair lending examination or off-site supervision contact exhibit elevated fair lending risk characteristics.

Criteria used to determine a **FCU**[7]'s fair lending risk may include:

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[1]Preliminary Warning Letter
[2]Division of Consumer Compliance Policy and Outreach in the NCUA's Office of Consumer Finnacial Protection
[3]State Supervisory Authority
[4]Letter of understanding and agreement
[5]Office of Consumer Financial Protection
[6]Federal credit union
[7]Federal credit union

- HMDA outliers determined from review of annual HMDA reports
- Fair lending findings or violations noted in recent safety and soundness examinations
- Elevated compliance risk noted in recent safety and soundness examinations
- The volume, types, or complexity of the lending products and services offered, or types of communities served
- Lending discrimination complaints against the credit union

The number of federal credit unions selected may vary each year based on available resources. OCFP may also participate in a fair lending review of a federal credit union during a **WCC**[1] 10 exam.

Field Recommendations

Given their direct knowledge of credit union lending practices, policies, and management strengths and weaknesses, **exam staff**[2] are in the best position to identify credit unions having elevated fair lending risk.

OCFP is particularly interested in identifying credit unions that have:

- Lending policies or practices that discriminate on a prohibited basis
- Lending personnel who have made negative statements towards protected groups or individuals (including documentation of such comments in loan files)
- Member or employee complaints alleging lending discrimination
- Systemic ECOA (Regulation B) or HMDA (Regulation C) violations
- Discretionary loan underwriting or pricing practices, when present with limited or no monitoring or internal controls
- Lending distinctions tied to geography that may disproportionately impact protected groups or individuals

[1] Work Classification Code

[2] "exam 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.

- Lending programs that are available to specific groups, individuals, or select employee groups, but not the entire field of membership
- Particular incentives created by employee compensation structures that may disproportionately impact protected groups or individuals

Last updated January 22, 2018

Requested Participation for SCU Selected for Review by SSA

When requested by an **SSA**[1], **OCFP**[2] may participate or assist on a fair lending examination conducted at a state-chartered credit union by its SSA. The OCFP Director will determine whether to participate on such examinations. The determination to participate will depend on available resources. Depending on the size and scope of an examination, OCFP may request assistance with the examination from the region whose coverage includes the state requesting participation.

Last updated January 22, 2018

On-Site Fair Lending Exams (WCC 03)

NCUA staff use **WCC**[3] 03, **OCFP**[4] On-site Fair Lending Review, for on-site fair lending examinations. Fair lending examinations are used to:

- Enforce credit union compliance with fair lending laws and regulations and HMDA and Regulation C compliance, and strengthen credit unions' fair lending programs through risk-based examination procedures, including transaction testing
- Educate credit unions on fair lending and consumer protection laws and regulations.

Fair lending examinations are risk-based and conducted in accordance with the August 2009 FFIEC Interagency Fair Lending Examination Procedures.

[1]State Supervisory Authority
[2]Office of Consumer Financial Protection
[3]Work Classification Code
[4]Office of Consumer Financial Protection

At the conclusion of the exam, a **FCU**[1] will receive a written fair lending examination report, and the analyst- or examiner-in-charge will conduct an on-site meeting to discuss the findings. District examiners will be notified in advance of meeting dates and times, and may attend if they choose.

Last updated January 22, 2018

Off-Site Fair Lending Exams (WCC 33)

NCUA staff use **WCC**[2] 33, **OCFP**[3] Off-site Fair Lending Supervision Contact, for off-site fair lending reviews.

Off-site supervision contacts are used to:

- Determine whether a credit union has adequate policies, procedures, and internal controls to ensure compliance with fair lending laws and regulations.
- Educate credit unions on fair lending and consumer protection laws and regulations.

Off-site supervision contacts are more limited in scope than on-site fair lending examinations. Supervision contacts generally include a fair lending baseline review with no transaction testing.

The analyst- or examiner-in-charge will communicate with **FCU**[4] staff throughout each off-site supervision contact. At the conclusion of the off-site supervision contact, the FCU will receive a written report and the analyst- or examiner-in-charge will hold an exit meeting by phone. District examiners will be notified in advance of meeting dates and times.

If an off-site supervision contact identifies possible discriminatory practices or significant findings of non-compliance with fair lending laws and regulations, the FCU will be considered for a future fair lending examination.

Last updated January 22, 2018

[1]Federal credit union
[2]Work Classification Code
[3]Office of Consumer Financial Protection
[4]Federal credit union

Contact Documentation

NCUA staff will record and include the findings and supporting information of a fair lending examination or supervision contact in MERIT. The administrative record in MERIT should fully support violations and weaknesses noted.

Item	**Examiners[1] will…**
MERIT Scope Task	Document the scope for the current examination or contact, areas and depth of review, and results of the review
MERIT Consumer Compliance Violations Issue	Document regulatory violations
Examination Overview	Provide a credit union information related to the fair lending review and address deficiencies requiring corrective action (as needed)
Examiner's Findings	Provide a credit union information related to the fair lending review and address deficiencies requiring corrective action (as needed)
DOR[2] forms	Provide a credit union information related to the fair lending review and address deficiencies requiring corrective action (as needed)
Issue Management	Enter problem codes for tracking purposes *Problems documented in a DOR must be significant enough that **OCFP**[3] would recommend escalating to the next level of elevated enforcement action for failure to correct the problem.*
Closed Information Questionnaire	Address noteworthy items or actions taken during the contact/examination that are not discussed elsewhere in the report, or discuss management's ability and willingness to correct areas of concern

[1]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.).
[2]Document of Resolution
[3]Office of Consumer Financial Protection

CAMELS and risk ratings are assigned by district examiners according to safety and soundness guidelines and will not be changed during a fair lending examination or supervision contact. Fair lending examiners can make recommendations to the appropriate region to adjust CAMELS and risk ratings, when serious violations are noted.

The analyst- or examiner-in-charge will include additional work papers completed which contribute to the administrative record.

Regional offices, supervisory examiners, and district examiners receive notice of fair lending examination or supervision contact completion and access to the report through the MERIT notification process.

Last updated October 26, 2022

Contact Follow-Up

OCFP[1] will provide recommendations for corrective action when deficiencies are identified in a fair lending examination or supervision contact. OCFP is responsible for follow-up of compliance with corrective actions, including, but not limited to **Examiner**[2]'s Findings and **DOR**[3] items.

OCFP will track DOR timeframes for completion and follow-up with credit union management consistent with the standards outlined in the Administrative Remedies section of this manual. Resolution of corrective action items should be documented in a MERIT 4.15 - **FISCU**[4] Fair Lending or 4.3 - **FCU**[5] Fair Lending contact (**WCC**[6] 33).

During onsite examinations and supervision contacts, district examiners will consult with OCFP before declaring an Examiner's Finding or DOR item resolved.

Last updated October 26, 2022

[1]Office of Consumer Financial Protection

[2]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.).

[3]Document of Resolution

[4]Federally insured, state-chartered credit union

[5]Federal credit union

[6]Work Classification Code

Administrative Remedies

Many of the administrative remedies used by safety and soundness examiners are also available to the **OCFP**[1]. The timeframes for taking administrative actions take into account OCFP's process for consulting with other NCUA offices, federal or state financial regulators, and, as appropriate, the credit union. This process is important in resolving any factual disputes and addressing potential legal issues before taking a formal agency action.

Report of Administrative Actions

The OCFP will monitor and follow-up on any outstanding administrative action items. OCFP will maintain a record of all informal and formal administrative actions including, but not limited to, OCFP Director Letters, **PWLs**[2], and civil money penalties. The OCFP will provide a quarterly report of these informal and formal administrative actions to the **E&I**[3] Director. The report will include administrative actions newly issued, currently outstanding (with the exception of OCFP Director and **CCPO**[4] Division Director Letters), and those canceled since the last report.

Document of Resolution

CCPO analysts will note the person(s) responsible, a citation for the problem, and the timeframe for taking corrective action in the **DOR**[5]. Credit union management's failure to address DOR items may result in elevated administrative action (for example, OCFP Director Letter, **PWL**[6]). See the Document of Resolution section of the NSPM for additional guidance on issuing **DORs**[7].

OCFP Director / CCPO Division Director Letters

The OCFP Director Letter is used when a credit union has serious and/or persistent problem areas that are not being adequately resolved. The OCFP Director Letter may be issued in conjunction with a fair lending examination to emphasize an area of concern. Typically, the CCPO Division Director Letter is used to respond to a first-time late or non-filed HMDA Report.

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[1]Office of Consumer Financial Protection
[2]Preliminary Warning Letter
[3]Office of Examination and Insurance
[4]Division of Consumer Compliance Policy and Outreach in the NCUA's Office of Consumer Finnacial Protection
[5]Document of Resolution
[6]Preliminary Warning Letter
[7]Document of Resolution

OCFP will consult with the appropriate regional office before sending an OCFP Director or CCPO Division Director letter in connection with a fair lending exam or HMDA late or non-filer matter. OCFP will provide the appropriate regional office and, if applicable, the appropriate **SSA**[1], with a copy of the OCFP Director or CCPO Division Director Letter.

Document	Description
Fair Lending Examination	The OCFP Director Letter should be issued to the credit union within 30 days of the completion date of the fair lending examination or supervision contact.
HMDA Report	The applicable OCFP Director Letter or CCPO Division Director Letter should be issued to the credit union within 90 days of the availability of HDMA data.

Preliminary Warning Letter

A Preliminary Warning Letter is a warning of potential formal administrative action if corrective action is not taken. The OCFP may issue a PWL when a credit union has not adequately resolved serious and/or persistent problem areas identified during a fair lending examination, or in response to repeated late-filed or non-filed HMDA reports. A PWL will not be issued as a result of an OCFP fair lending off-site supervision contact.

OCFP will consult with the appropriate regional office before issuing a PWL in connection with a fair lending exam or HMDA late or non-filer matter. OCFP will provide the appropriate regional office and, if applicable, the appropriate SSA, with a copy of the PWL.

For a **fair lending examination**, the PWL should be issued to the credit union within 60 days after completion of the exam.

- OCFP will forward the draft PWL to the appropriate regional office for review.
- Within 10 days of receiving the draft PWL, the regional office will review the PWL and notify OCFP of its review and any recommended changes. If the regional office is aware of additional safety and soundness concerns, it may propose issuing a PWL directly from the Region to address both fair lending and safety and soundness concerns.

[1]State Supervisory Authority

- OCFP will schedule a follow-up contact within 120 days of issuing a PWL to assess the credit union's compliance.

For a **HMDA report**, a PWL is issued after the credit union's second HMDA late filing or non-filing within a five-year period. The PWL should be issued to the credit union within 90 days of the availability of HDMA data.

- The PWL should require a written response from the credit union to OCPF, with a copy to the appropriate regional office, within 30 days of receipt of the PWL indicating what actions the credit union has taken or plans to take to address the HMDA late or non-filing matter.
- The OCFP will review the credit union's response and determine whether corrective action plans are appropriate.
- If the OCFP determines corrective actions plans are not appropriate, OCPF will schedule an off-site supervision contact within 240 days of the availability of HDMA data to counsel the credit union on appropriate policies and procedures.

Civil Money Penalty

The **OGC**[1] must be consulted on all Civil Money Penalty actions and they must be approved as outlined in the NCUA's Delegations of Authority. The OCFP will also consult with the appropriate regional office before seeking a **CMP**[2] against a credit union. The OCFP will provide the appropriate regional office and, if applicable, the appropriate SSA with a copy of the CMP.

Federal law provides that a CMP may be assessed against a credit union for a late-filed or non-filed HMDA report. A CMP is typically issued after the credit union's third late HMDA filing or non-filing within a five-year period. The CMP should be issued to the credit union within 120 days after the availability of HDMA data.

DOJ Referrals

Under the Equal Credit Opportunity Act, regulators, including the NCUA, must refer a matter to **DOJ**[3] whenever the agency has reason to believe that a credit union has engaged in a pattern or practice of discouraging or denying

[1]NCUA's Office of General Counsel
[2]Civil money penalty; civil money penalties
[3]U.S. Department of Justice

applications for credit in violation of 15 U.**SC**[1]. § 1691(a) of ECOA. The initiating office (OCFP, in the case of a fair lending examination conducted by that office, or the applicable regional office or **ONES**[2] in the case of a fair lending violation addressed during a safety and soundness examination (**WCC**[3] 10)) will consult with each other and OGCbefore taking any action to refer cases to DOJ. OGC will deliver all referrals for ECOA violations to DOJ.

Last updated January 22, 2018

Administrative Items

Timeframe to Complete and Upload Fair Lending Examinations/Supervision Contacts

Except for minor differences with start dates, fair lending examiners will complete and close all examinations and supervision contacts consistent with standards outlined in the NSPM's District Management section. The start date for a fair lending examination is the date the analyst- or examiner-in-charge first charges time to the examination, and generally corresponds to the date pre-examination scoping begins. The start date for a fair lending supervision contact is the date the analyst- or examiner-in-charge receives supervision contact materials from a credit union.

Notifying a Credit Union of a Fair Lending Examination or Supervision Contact

OCFP[4] will provide adequate advance notice before starting a fair lending examination or supervision contact. When a fair lending examination runs concurrently with a safety and soundness examination, OCFP will coordinate all scheduling efforts with the district examiner.

Unless special circumstances exist, OCFP will give credit union officials a minimum notice of four weeks. The **CCPO**[5] Division Director must approve notification periods of less than four weeks. This approval will be documented in the report's Closed Information Questionnaire.

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[1]Supervisory Committee

[2]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.

[3]Work Classification Code

[4]Office of Consumer Financial Protection

[5]Division of Consumer Compliance Policy and Outreach in the NCUA's Office of Consumer Finnacial Protection

As part of the notification process, OCFP will prepare a notification cover letter and document request list for fair lending examinations and supervision contacts. OCFP will revise the document request list to meet the needs of the particular examination or contact. OCFP will provide the notification package to the credit union at least four weeks before the fair lending examination or supervision contact start date.

Last updated February 2, 2023

Quality Assurance

CCPO[1]'s fair lending program officer (or designee) will perform a written quality control review (**QCR**[2]) of each fair lending examination. **QCRs**[3] will evaluate and address:

- The adequacy of problem identification and corrective actions
- Whether examination documentation provides a sufficient administrative record to support the review of focal points, and **OCFP**[4]'s findings and recommendations
- Consistency in OCFP's application of **DORs**[5], **Examiner**[6]'s Findings, Loan Exceptions, and recommendations

The fair lending program officer will review each fair lending supervision contact and document the review for the CCPO Director in a summary spreadsheet. Supervision contact reviews will evaluate supervision contact findings, recommended corrective actions, and recommendations for follow-up work. The fair lending program officer will advise the CCPO Director of any recommendation for follow-up work noted in a fair lending supervision contact.

CCPO's fair lending program officer will provide QCRs to CCPO analysts within 45 days of examination completion.

Last updated January 22, 2018

[1]Division of Consumer Compliance Policy and Outreach in the NCUA's Office of Consumer Finnacial Protection

[2]Quality control review; actions taken on items or activities to verify adherence to specified requirements. The QCR element is generally included as a segment of QA.

[3]Quality control review; actions taken on items or activities to verify adherence to specified requirements. The QCR element is generally included as a segment of QA.

[4]Office of Consumer Financial Protection

[5]Document of Resolution

[6]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.).

FCU Program and Procedures

The NCUA's examination program institutes standards for a high quality examination process and establishes guidelines to:

- Identify and mitigate current and emerging risks to the **NCUSIF**[1]
- 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 **FCUs**[2] in their districts. Supervision efforts will vary depending on the size of the credit union, the risk to the NCUSIF, and other circumstances as applicable. Supervision includes, but is not limited to, examinations, follow-up examinations, onsite contacts, offsite contacts, offsite monitoring, and trending analysis (for example, Call Report/**FPR**[3] Trending).

The examination and supervision program is the most important component of managing risk to the NCUSIF and protecting members. Refer to the comparison of examination and supervision programs for federal credit unions and FISCUs for a high-level overview.

Last updated July 29, 2015

MERIT Exam Tasks (Scope)

The scope is the permanent record of procedures performed during an examination/supervision contact. All **WCC**[4] 10 examination procedures will be guided by the expectations outlined in the current NCUA Instruction 5000.20, Examination Scope.

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[1]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.
[2]Federal credit union
[3]Financial Performance Report
[4]Work Classification Code

Exam Staff

Exam staff must thoroughly document the areas reviewed, the results, and the recommended action. Comments like "completed" or "inadequate" are insufficient. Exam staff must include a description of the area reviewed and results obtained, regardless of whether references to other work papers are included in the MERIT scope.

The Scope should be a comprehensive synopsis of what occurred during the examination or supervision contact. When applicable, the completed **IRR**[1] Workbook represents the Scope for the IRR review and it is acceptable for **exam staff**[2] to state "Refer to IRR Workbook" in the Results of Review section of the Scope Task. Exam staff may also use the narrative conclusion for the final risk assessment. The IRR workbook framework includes the necessary scope elements of review steps (either required or baseline), fields to enter the results of each review step, a narrative conclusion (in the overall tab), and the IRR rating (high, moderate, or low).

A comprehensive scope will enable the exam staff of the next examination to become familiar with the history of the credit union in a shorter amount of time. Exam staff must complete the Exam Form in MERIT.

Last updated February 2, 2023

Examiner-in-Charge

EICs[3] are responsible for the sufficiency of the MERIT scope. For team exams/supervision contacts, the **EIC**[4] should task each scoping area before the rest of the team's arrival onsite as part of their pre-exam planning.

EICs must 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 or supervision contact. EICs will fully evaluate areas that represent a significant risk or potential risk to a credit union.

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[1]Interest rate risk

[2]"exam 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.

[3]Examiner-in-charge

[4]Examiner-in-charge

If extenuating circumstances require completing an examination or contact off-site, exam staff will:

- Conduct examinations in accordance with the most recent version of NCUA Instruction 5000.20, Examination Scope, to the greatest extent possible using offsite procedures such as those described in the **Examiner**[1]'s Guide.
    - No scope tasks are automatically deferred. Exam staff must determine the procedures they can conduct offsite based on the information provided by a credit union and availability of credit union staff for virtual meetings.
    - Transaction testing and overseeing management activities cannot typically be conducted offsite. However, reviewing loan samples or bank statements provided by the credit union may still be valuable procedures to conduct, even if exam staff are unable to watch credit union staff create the source document. Exam staff will document in the scope that they could not observe a credit union generate these documents.
- Discuss any inability to complete a sufficient review of the required examination procedures described in the most current version of NCUA Instruction 5000.20, Examination Scope, with their supervisor to determine whether to convert the examination (WCC 10/WCC 11) to a supervision contact (WCC 22/WCC 23). This does not apply to continuous examinations conducted by **ONES**[2] examiners.

If an examiner is unable to complete a required examination Scope Task, they should cancel the Scope Task as outlined in the MERIT NCUA and **SSA**[3] User Guide, and indicate in the mandatory comments box why the Scope Task could not be completed (for example, offsite posture).

- **Examiners**[4] should check the box next to "Required scope not completed/deferred" in the Exam Form and note in the Scope Completion

[1]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.).
[2]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.
[3]State Supervisory Authority
[4]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.).

E&I

E&I[1] will review, and update when necessary, the scope expectations in conjunction with changes in key risk indicators, economic conditions and regional concerns by January 1 each year.

Last updated May 12, 2022

Membership Data Information

Membership Data Information will be collected for all natural person federal credit unions in accordance with NCUA Letter to Credit Unions 21-**CU**[2]-08, Implementation of Modernized Systems (August, 2021). Detailed instructions on membership data collection can be found in Chapter 6: Loan and Share Analytics of the NCUA and SSA MERIT User Guide.

Last updated October 26, 2022

Federal Credit Union Examinations (WCC 10)

NCUA examiners will use **WCC**[3] 10 for **FCU**[4] examinations, including **SCUEP**[5] defined-scope examinations. **Examiners**[6] will reference the most recent NCUA Instruction 5000.20, Examination Scope, Appendix B, for required and baseline review areas. For an FCU SCUEP defined-scope examination, examiners will reference Appendix A for required Tier 1 review areas.

As noted in the Instruction, examiners must use their judgment to adjust the Scope to focus on areas of heightened risk.

Last updated February 2, 2023

Federal Credit Union Supervision Contacts

Supervision contacts typically fall into one of three categories:

[1]Office of Examination and Insurance
[2]Credit union; credit unions
[3]Work Classification Code
[4]Federal credit union
[5]Small Credit Union Examination Program
[6]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.).

1. Follow-up exams
2. Onsite supervision contacts
3. Offsite supervision contacts

For a full list of **WCC**[1] definitions, see the Work Classification Codes section of the NSPM.

Last updated July 29, 2015

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 CAMELS ratings and administrative action recommendations. **Examiners**[2] will support in the scope, or by other means that can be made part of the administrative record, all the critical problem areas identified during the regular examination. Examiners will indicate the supervision contact was a follow-up examination by selecting "**FCU**[3] Follow Up Exam" as the Contact Sub-Type when creating the contact in MERIT. Examiners typically only perform follow-up examinations on CAMELS 3, 4, or 5 credit unions.

A *follow-up examination* is a type of onsite supervision contact that applies to both **FCUs**[4] 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
CAMELS 3 > $50 million	180 days (from completion date to start date)
CAMELS 4 or 5 > $50 million	120 days (from completion date to start date)

[1]Work Classification Code

[2]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.).

[3]Federal credit union

[4]Federal credit union

Timeframe Exceptions for Follow-Up Examinations

Examiners will consult their supervisor and request an extension via email if they cannot start a follow-up examination within the required timeframe. The guidelines for requesting an extension are:

Credit Union Description	Maximum Extension	Guidelines
CAMELS 3 > $50 million	Follow-up 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 **NCUSIF**[1] resulting from the extended timeframe. **Supervisor**[2] must approve all requests for extension and forward approval to the region's **DOS**[3] mailbox. The **ARDP**[4] or **ARDO**[5], as appropriate, must approve and document in writing any additional extensions and associated considerations.
CAMELS 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 NCUSIF 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.

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

[2]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.).

[3]Division of Supervision

[4]Associate Regional Director of Programs

[5]Associate Regional Director of Operations

Small Credit Union Supervision Requirements

CAMELS 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
CAMELS 3 FCUs with less than $50 million in assets	Onsite supervision between examinations is at the discretion of the region	If **BSA**[1] or recordkeeping issues are present, the timeframes for those targeted review contacts will be followed.
CAMELS 4 or 5 FCUs with less than $50 million in assets	Must be started within 210 days of the examination	No waiver for the 210-day contact requirement for CAMELS 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**[2] items receive a full review.

SEs[3]/examiners will use sound judgment to determine, on a case-by-case basis, the contact requirements for any FCU meeting these criteria (within the 210 days for CAMELS 4 or 5 FCUs), tailoring the supervision needs to the credit union. Regional Directors and supervisors may require different contact 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 the critical problem areas identified during the regular examination. The contact must include a joint conference with the board of directors.

[1]Bank Secrecy Act
[2]Document of Resolution
[3]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

Each region will establish monitoring procedures for follow-up examinations and timeframe extensions, until a national system is developed and implemented. The ARDP will review the applicable report(s) and share them with the supervisors to evaluate appropriateness and timeliness of completion contacts to ensure a quality and timely supervision program.

Follow-Up Examination Documentation

Examiners document a follow-up examination in MERIT by creating a supervision contact with the Contact Sub-Type "FCU Follow-Up Exam," and charging time to **WCC**[1] 22. At a minimum, the MERIT contact must include:

- All critical input areas
- Scope tasks that were the subject of the follow-up examination, explanations of any change of final risk ratings on the Risk Assessment form
- Documentation regarding compliance with any outstanding administrative actions (**LUA**[2], **PWL**[3], etc.,) in the Status Update
- Documentation regarding compliance with any outstanding **NWRP**[4] / **RBP**[5] in the Status Update
- Documentation of compliance or non-compliance with previous DOR items and updated DOR Issues or Actions in Issue Management
- Written narrative report provided to the credit union (for example, Examination Overview, **Examiner**[6]'s Findings, etc.)
- Completed Exam form Completion Information, including all questions and the date of the exit meeting and/or joint conference (a joint conference is required for all CAMELS 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)

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[1]Work Classification Code
[2]Letter of understanding and agreement
[3]Preliminary Warning Letter
[4]Net Worth Restoration Plan(s)
[5]Revised Business Plan
[6]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.).

- Updated Supervision Chronology Report attached to the document section on the Examinable Entity form for a CAMELS 3 with assets $250 million and greater, and CAMELS 4 or 5
- Consumer Compliance Violations in Issues Management, if applicable
- Completed Closed Information Questionnaire
- Sufficient work papers to support the scope of review and the conclusions drawn and any other information necessary to support the scope and time spent on the contact

Examiners are required to issue a report to the credit union for follow-up examinations. Examiners will deliver the report as they would an examination report. Examiners must discuss required corrective actions, administrative actions, and provide relevant supporting sections of the report to the officials during the joint conference (for example, DOR, Examiner's Findings, and other appropriate work papers such as the Supplementary Facts).

Last updated March 25, 2022

Onsite Supervision Contact (WCC 22)

An onsite supervision contact is more limited in scope than a follow-up examination. **Examiners**[1] 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 to review the credit union's compliance with a **DOR**[2].

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 must make each contact a results-oriented contact designed to achieve corrective action.

Credit unions with significant recordkeeping concerns require an onsite supervision contact focused on ensuring adequate attention to and correction of problems. See the Significant Recordkeeping Concerns section of the NSPM for additional guidance for performing supervision contacts for credit unions that have significant recordkeeping concerns.

Last updated October 26, 2022

[1]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.).
[2]Document of Resolution

1. Contact Documentation

Examiners document an onsite supervision contact by completing a 2.2 in MERIT. At a minimum, the supervision contact must include:

- The Microstrategy Analytic PDF and dossier (i.e., mstr) files
- Completed scope tasks covering the areas reviewed
- Completed Risk Assessment and CAMELS forms. Include a rating for each risk area included and reviewed in the contact and each CAMELS component and composite. For CAMELS areas not reviewed during the contact, **exam staff**[1] may enter "DNR" (did not review) in the Reasons/Factors sections.
- Written narrative report provided to the credit union if applicable (for example, Examination Overview, **Examiner**[2]'s Findings, etc.). Use the Closed Information Questionnaire to document additional information when a report is not provided to the credit union and in place of a supervision contact memo
- Completed Exam Form
- Updated Supervision Chronology Report saved in the documents section of the Exam Form for a CAMELS 3 with assets of $250 million and greater, all CAMELS 4 or 5 credit unions, and credit unions requiring an onsite follow-up for significant recordkeeping concerns.
- Any other information necessary to support the scope and time spent on the contact (for example, update the Issue Management section with DOR status if focus of contact was to review compliance with DOR items, 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 to a credit union's CAMELS or risk ratings.

Last updated: October 26, 2022

[1]"exam 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.
[2]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.).

Offsite Supervision Contacts (WCC 27)

Offsite supervision is discrete supervision or district management activities conducted that are not part of an examination (**WCC**[1] 10) or onsite supervision contact (WCC 22). Offsite supervision contacts are generally very limited in scope and are conducted somewhere other than at a credit union. For example, following up on a **DOR**[2] through phone or email, reviewing a credit union's response to a DOR, reviewing monthly board packages, or other correspondence with a credit union. **Examiners**[3] will not change a credit union's composite CAMELS rating during a WCC 27 contact and if there is a prior exam or contact in MERIT, they should not generate a CAMELS form.

Documentation for Offsite Contacts Eight Hours or Longer

A contact is required for all WCC 27 offsite contacts to complete discrete activities (for example, review board packages or credit union's response to a DOR) if **exam staff**[4] charge eight hours or more. Examiners document an offsite supervision contact of eight hours or more by closing a contact report in MERIT and charging time to WCC 27.

At a minimum, the examiner must include a completed Exam Form with documentation of the contact scope, progress, conclusions, recommendations, etc. This information should be included in the **Examiner**[5] Comments field in the Exam Notes section of the Exam Form. If exam staff need more room to document the contact, they may attach additional documentation on the Exam Form or create a scope task for that purpose. Examiners must also ensure the supervision plans on the Examinable Entity Form are current to close the contact.

> Exam staff will not use offsite supervision (WCC 27) to charge time for substantive work that is completed as part of an examination (WCC 10) or onsite supervision contact (WCC 22), even if the work is completed offsite.

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[1]Work Classification Code

[2]Document of Resolution

[3]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.).

[4]"exam 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.

[5]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.).

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 closed on a quarterly basis, shortly after the end of the quarter. If the aggregate time charged in a quarter is less than eight hours, a contact in MERIT is not required.

[redacted][1] [redacted]

Last updated February 2, 2023

Monthly Financial Monitoring (WCC 27)

Examiners[2] must trend monthly financial data for the following:

- Any CAMELS 4 or 5 credit union with more than $250M in assets
- Any CAMELS 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 **NCUSIF**[3] (as in the case of a large, troubled institution)

Examiners must trend the data using **SATEX**[4] or an equivalent tool. Examiners will charge this type of offsite supervision to WCC 27 and will close a contact in MERIT.

Examiners should make every effort to receive monthly financials directly from a credit union. For example, a section of the **DOR**[5] could request financial and

[1] [redacted]

[2] 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.).

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

[4] 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.

[5] Document of Resolution

board packets be sent monthly to the examiner. The supervisor will, on a case-by-case basis:

- Notify the **FCU**[1] 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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Last updated February 2, 2023

Processing of Call Reports and Trending for Federal Credit Unions (WCC 20)

Examiners[2] will perform offsite supervision while reviewing the Call Report, risk reports, **FPRs**[3], and other offsite monitoring tools for their district. Examiners will use **WCC**[4] 20 for **FCU**[5] reviews. Refer to the NSPM for more information on trending.

Last updated July 29, 2015

OCFP/Regional Office Fair Lending Examinations and Supervision Contact Coordination

The Office of Consumer Financial Protection (**OCFP**[6]) has supervisory authority to conduct on-site fair lending examinations and off-site fair lending supervision contacts in **FCUs**[7].

The NCUA implemented its fair lending examination program in 1999. With the exception of FCUs that have more than $10 billion in assets, which are under the authority of the CFPB, the NCUA enforces the Equal Credit Opportunity Act and Regulation B in FCUs, and the Home Mortgage Disclosure Act and Regulation C in all federally insured credit unions.

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[1]Federal credit union

[2]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.).

[3]Financial Performance Report

[4]Work Classification Code

[5]Federal credit union

[6]Office of Consumer Financial Protection

[7]Federal credit union

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

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

The NCUA also assesses compliance with the Fair Housing Act and reports violations to **HUD**[1] or **DOJ**[2].

The U.S. Department of Housing and Urban Development and the U.S. Department of Justice enforce the Fair Housing Act.

The U.S. Department of Housing and Urban Development and the U.S. Department of Justice enforce the Fair Housing Act.

The NCUA conducts fair lending examinations at, and supervision contacts with, FCUs to assess compliance with fair lending laws using the **FFIEC**[3]'s *Interagency Fair Lending Examination Procedures* (August 2009).

Federal Credit Union Selection for Fair Lending Review

OCFP selects federal credit unions for either an on-site fair lending examination or an off-site supervision contact based on a credit union's risk profile. The number of FCUs selected will vary annually, based on available resources.

Field Recommendations

Given their direct knowledge of credit union lending practices, policies, and management strengths and weaknesses, **exam staff**[4] are in the best position to identify credit unions that have an elevated fair lending risk.

OCFP requests recommendations from regional offices at least once each year. Regional offices should respond to OCFP's request with the name and charter number of credit unions that have elevated fair lending risks, as well as a brief description of the basis for the recommendation.

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[1]U.S. Department of Housing and Urban Development

[2]U.S. Department of Justice

[3]Federal Financial Institutions Examination Council

[4]"exam 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.

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

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

Regional Office Notification

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

In notifications to regional offices, OCFP will:

- Provide a list of FCUs 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 FCUs selected for an off-site supervision contact along with a summary of the basis for selection
- For each planned fair lending examination, request the date of the next safety and soundness examination, if available, and a point of contact (supervisory examiner or district examiner)
- For each planned fair lending examination or supervision contact, request information on unusual circumstances that OCFP should consider before proceeding

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

Fair Lending Examination and Supervision Contact Follow Up

When OCFP identifies deficiencies in a fair lending examination or supervision contact, it will provide recommendations for corrective action. OCFP is responsible for addressing findings and assuring compliance with DOR items.

Regional offices, supervisory examiners, and district examiners receive notice of fair lending examination or supervision contact completion and access to the report through the MERIT notification process.

Field Support of OCFP Examinations and Supervision Contacts

OCFP will request volunteers to assist with fair lending examinations and supervision contacts as needed. Each year, OCFP may recruit volunteers to assist with examinations and supervision contacts annually through a request for volunteers sent to all agency staff made in consultation with the Office of Human Resources.

Last updated October 26, 2022

FISCU Program and Procedures

The **SSA**[1] is the primary regulator for **FISCUs**[2], whereas the NCUA is primarily responsible for managing risk to the **NCUSIF**[3]. While the NCUA has enforcement authority in FISCUs for various regulations as outlined in the NSPM's Enforcement Authorities section, the SSA is generally responsible for verifying regulatory compliance (with the exception of HMDA). In some instances, the SSA and the NCUA may agree that the NCUA will review regulatory compliance matters typically enforced by the SSA.

The NCUA's **FISCU**[4] examination program is designed to empower staff to work collaboratively with each SSA to assess the financial and operational condition of FISCUs. Unless otherwise agreed to by the SSA, the state examiner is the **EIC**[5] for joint examinations and contacts.

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 NCUSIF. Regional management 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. Because **SSAs**[6] vary in their approach to onsite supervision between full examinations, the degree to which each region can use SSA examination and supervision work will also vary.

An SSA will be notified by the NCUA of all FISCUs selected for onsite contacts. Each regional office will provide the criteria used in making these selections to the state to ensure it knows which credit unions the NCUA will select for an onsite contact.

Last updated June 23, 2023

[1]State Supervisory Authority
[2]Federally insured, state-chartered credit union
[3]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.
[4]Federally insured, state-chartered credit union
[5]Examiner-in-charge
[6]State Supervisory Authority

MERIT Exam Tasks (Scope)

The Scope is the permanent record of procedures performed during an examination or supervision contact. All **WCC**[1] 11 examination procedures will be guided by the expectations outlined in most recent version of NCUA Instruction 5000.20, Examination Scope.

Examiners[2] must thoroughly document the areas reviewed, the results, and the recommended action. Comments like "completed" or "inadequate" are insufficient. Examiners must include a description of the area reviewed and results obtained regardless of whether references to other work papers are included in the MERIT scope.

The Scope should be a comprehensive synopsis of what occurred during the examination or supervision contact. When applicable, the completed **IRR**[3] Workbook represents the Scope for the IRR review and it is acceptable for **exam staff**[4] to state "Refer to IRR Workbook" in the Results of Review section of the Scope Task. The IRR Workbook framework includes the necessary scope elements of review steps (either required or baseline), fields to enter the results of each review step, a narrative conclusion (in the overall tab), and the IRR rating (high, moderate, or low).

A comprehensive Scope will enable the examiner of the next examination to become familiar with the history of the credit union in a shorter amount of time.

EICs[5] are responsible for the sufficiency of the MERIT Scope. For team exams/supervision contacts, the **EIC**[6] should task each scoping area before the rest of the team's arrival onsite as part of their pre-exam planning. EICs must 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.

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[1]Work Classification Code

[2]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.).

[3]Interest rate risk

[4]"exam 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.

[5]Examiner-in-charge

[6]Examiner-in-charge

NCUA-SSA Joint Scoping

Scoping for **FISCU**[1] joint exams and contact may vary--examiners will consider the relationship with the **SSA**[2]. NCUA examiners will hold meeting(s) with the SSA examiner to establish the NCUA's scope and support resources before or at the start of fieldwork. These meetings may take place by phone or secure email. The examiner responsible for setting up the meeting will depend on the working arrangement with each SSA.

The examiner's objective of the scoping meeting is to:

- Discuss the issues initiating the contact
- Discuss any new information
- Define operational and financial concerns
- Establish review areas

The NCUA's role in conducting joint examinations and contacts is limited to significant risk areas and compliance with laws and regulations for which the NCUA has enforcement authority. When a review reveals additional safety and soundness concerns, examiners will expand the scope and review time in consultation with their supervisor.

If agreements cannot be reached regarding the NCUA's participation, including expansion of the scope, the NCUA examiner will contact their supervisor before or during the examination, who will discuss the matter with the SSA office. Supervisors will request **ARDP**[3] involvement in the event the supervisor and the SSA office cannot resolve the issue.

Note: If extenuating circumstances require an examination or contact offsite, exam staff will:

- Conduct examinations in accordance with the most recent version of NCUA Instruction 5000.20, Examination Scope, to the greatest extent possible using offsite procedures such as those described in the **Examiner**[4]'s Guide

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[1]Federally insured, state-chartered credit union

[2]State Supervisory Authority

[3]Associate Regional Director of Programs

[4]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.).

- No scope tasks are automatically deferred. Exam staff must determine the procedures they can conduct offsite based on the information provided by a credit union and availability of credit union staff for virtual meetings.
- Transaction testing and overseeing management activities cannot typically be conducted offsite. However, reviewing loan samples or bank statements provided by the credit union may still be valuable procedures to conduct, even if exam staff are unable to watch credit union staff create the source document. Exam staff will document in the scope that they could not observe a credit union generate these documents.
- Discuss any inability to complete a sufficient review of the required examination procedures described in the most current version of NCUA Instruction 5000.20, Examination Scope, with their supervisor to determine whether to convert the examination (WCC 10/WCC 11) to a supervision contact (WCC 22/WCC 23). This does not apply to continuous examinations conducted by **ONES**[1] examiners.
- If NCUA exam staff are unable to complete a required examination Scope Task, they should cancel the Scope Task as outlined in the MERIT NCUA and SSA User Guide and indicate in the mandatory comments box that the Scope Task why it could not be completed (for example, offsite posture).
- If the SSA is unable to complete an agreed-upon Scope Task, NCUA exam staff remains responsible for ensuring it's completion. If the Scope Task cannot be completed by NCUA exam staff, the examiner should cancel it as noted above.
- Examiners should check the box next to "Required scope not completed/deferred" in the Exam Form and note in the Scope Completion Comments box which required Scope Tasks were not completed.

Last updated May 12, 2022

[1]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.

Exam Types

NCUA examiners will create a **WCC**[1] 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 in the most recent NCUA Instruction 5000.20, Examination Scope. **E&I**[2] will review, and update when necessary, the established scope guidelines in conjunction with changes in key risk indicators, economic conditions and regional concerns.

NCUA Onsite Presence Criteria

Onsite participation (including joint examinations, insurance reviews, and onsite supervision contacts) in **FISCUs**[3] is necessary to effectively assess conditions that may pose a risk to the **NCUSIF**[4]. The **RD**[5] will determine the onsite participation plans for FISCUs as part of the annual resource budget process and per the NCUA's Examination Scheduling Program. Because **SSAs**[6] vary in their approach to onsite supervision between full examinations, the degree to which each region can utilize **SSA**[7] examination and supervision work will also vary.

The NCUA will notify the SSA of all FISCUs selected for onsite contacts. Each regional office will provide the specific criteria and reports used in making these selections to the state to ensure they know which credit unions the NCUA will select for an onsite contact.

NCUA Limited Review on an SSA's Examination

If the NCUA conducts a limited review of select areas while working with an SSA on its **FISCU**[8] exam, two separate solo contacts will be completed in MERIT. This includes instances where the region does not perform a joint exam on a state-chartered credit union. NCUA Exam Staff should create an Onsite Supervision Contact 2.10—FISCU Regular in this scenario. Exam staff should refer to the Joint Exams in MERIT chapter of the NCUA and SSA MERIT User Guide for further details.

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[1]Work Classification Code
[2]Office of Examination and Insurance
[3]Federally insured, state-chartered credit union
[4]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.
[5]Regional Director
[6]State Supervisory Authority
[7]State Supervisory Authority
[8]Federally insured, state-chartered credit union

Besides the procedures in the NCUA and SSA MERIT User Guide, **exam staff**[1] should note the following:

- NCUA exam staff may not be listed as Co-**EIC**[2] on the SSA's exam.
- For Loan Concentration Risk Outlier reviews, exam staff should add the Closed Information Questionnaire scope task to their MERIT 2.10 contact and attach the loan Concentration Risk Evaluation form to it once all necessary approvals for the form are obtained.

Last updated June 23, 2023

Insurance Reviews (WCC 11)

The NCUA examiner is the **EIC**[3] for all insurance reviews. As such, it is the NCUA's responsibility to ensure completion of the MERIT examination procedures and work papers.

The scope of an insurance review will focus on safety and soundness concerns. **Examiners**[4] will complete the examination scope steps (detailed in the most recent version of NCUA Instruction 5000.20, Examination Scope), concentrating on areas of risk, including compliance with regulations (NCUA and others) that may represent a risk to the **NCUSIF**[5] if the credit union failed to comply (see Chapter 26 of the Examiner's Guide).

Insurance Review Documentation

At a minimum, documentation of an insurance review will include:

- Completed scope
- Indication of compliance or non-compliance with previous DOR, LUA, **NWRP**[6]/**RBP**[7] items or agreements relating to safety and soundness

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[1]"exam 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.

[2]Examiner-in-charge

[3]Examiner-in-charge

[4]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.).

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

[6]Net Worth Restoration Plan(s)

[7]Revised Business Plan

- Completed Issue Management log with appropriate notation of resolved and outstanding issues including **DOR**[1] items and consumer compliance violations, if applicable
- Status and management's acceptance of current DOR
- Completed Closed Information Questionnaire
- Written narrative report provided to credit union and **SSA**[2]

Insurance Review Reports

NCUA examiners will follow the **PSR**[3] process before releasing NCUA CAMELS ratings or the final report. With **SE**[4] concurrence, the examiner may provide certain draft examination documents, including the DOR and **Examiner**[5]'s Findings before the PSR review(s) are complete. If no **DOS**[6] or ARD PSR is required, the SE may approve pre-release of CAMELS ratings. Management must be made aware that draft examination documents, including CAMELS ratings and risk ratings are preliminary and may change before final report is issued. When DOS and/or ARD review is required, the examiner may only release CAMELS ratings after the PSR review is complete.

Joint Conferences

In CAMELS 1 or 2 **FISCUs**[7], the NCUA EIC will hold an exit meeting if a joint conference is not necessary or requested. NCUA examiners must hold a joint conference for all CAMELS 3, 4, and 5 credit unions.

If a quorum is not present for a joint conference, 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 at least three business days before the date and time of the joint conference. The NCUA supervisor will invite the SSA staff to participate in the joint conference.

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[1]Document of Resolution

[2]State Supervisory Authority

[3]Pre-release secondary review

[4]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

[5]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.).

[6]Division of Supervision

[7]Federally insured, state-chartered credit union

The SSA may request a copy of examination work papers outlining corrective actions and any related handouts before meeting with credit union officials. These documents should be provided in sufficient time for SSA review and feedback before the meeting. As a courtesy, the SSA should also have an opportunity to review the finalized complete insurance review report before it is issued to the credit union. However, the report is issued at the NCUA's discretion.

Exam staff must follow the requirements from the District Management > Joint Conferences and Exit Meetings section of the NSPM as it relates to credit unions and/or **exam staff**[1] recording meetings.

Note: There may be circumstances where a joint conference and/or exit meeting is held virtually (video or phone). In these cases:

- There is no requirement for examiners to be on camera for virtual meetings
- Annotate the meeting was held virtually in the Closed Information Questionnaire and follow all other NSPM requirements related to joint conferences and exit meetings
- Follow the report issuance requirements discussed in the Disclose NCUA CAMELS and Risk Ratings (if SSA led) or Issue a Report to **FISCU**[2] (if NCUA led) sections of this FISCU section of the NSPM
- If a credit union staff or officials cannot attend a virtual joint conference/exit meeting, or a quorum is not present, document in the Exam Form in MERIT and send the electronic examination report to the credit union
    - Request the **CEO**[3]/manager and board review the exam report and contact the EIC with any questions
    - If a **LUA**[4] must be signed, get hardcopy signatures through mail or fax, or electronic signatures using PDFs

Last updated May 12, 2022

[1]"exam 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.
[2]Federally insured, state-chartered credit union
[3]Chief Executive Officer
[4]Letter of understanding and agreement

Joint Examinations (WCC 11)

For joint examinations, the state examiner is the **EIC**[1] unless otherwise agreed to by the **SSA**[2]. NCUA examiners are responsible for ensuring **WCC**[3] 11 exams meet the scope guidelines specified in the most recent version of NCUA Instruction 5000.20, Examination Scope. In the Scope, the NCUA EIC will note which Scope Tasks were performed by the SSA. The NCUA EIC will ensure appropriate completion of the Scope Tasks (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 MERIT or the examiner feels the scope will not be adequately completed by the SSA, the NCUA EIC will note this in their Closed Information Questionnaire and document the SSA's work.

To streamline the process and facilitate networking and cooperation between the two agencies, the NCUA will make every effort to schedule joint examinations with the SSA. If the NCUA and the SSA cannot schedule a joint examination, the NCUA will conduct an insurance review. When a joint exam is not possible, the EIC will note the reason(s), and the efforts made to coordinate a joint examination with the SSA, in the Closed Information Questionnaire.

Note: NCUA **exam staff**[4] will work with SSA exam staff to complete a joint examination as one MERIT 1.6, 1.7, or 1.8 exam. If the state exceeds the NCUA's maximum allowable timeframe in completing and issuing its report, NCUA exam staff will consider completing their work in a separate MERIT contact. In these situations, NCUA exam staff will ensure the SSA has all the information it needs to complete their scope and close the exam.

Last updated February 2, 2023

Documentation

For joint examinations, the final examination report will usually be a joint report, which encompasses both NCUA and SSA recommendations. If necessary, the NCUA may issue an independent report. The NCUA will notify the SSA of plans to issue a separate report before issuance to the **FISCU**[5].

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[1]Examiner-in-charge

[2]State Supervisory Authority

[3]Work Classification Code

[4]"exam 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.

[5]Federally insured, state-chartered credit union

NCUA examiners will review whether the state included the issues and violations and add any missing issues or violations as part of the WCC 26/MERIT 3.1 review.

For WCC 11 (MERIT 1.6, 1.7, or 1.8) Joint Examinations, NCUA examiners must include the following in MERIT:

- NCUA-developed standard examination documents provided to the SSA such as Examination Overview commentary, DOR document, and Examiner's Findings
- Sufficient MERIT work papers to support the scope of review and conclusions
- Completed scope tasks for areas reviewed
- Indication of compliance or non-compliance with previous DOR, LUA, **NWRP**[1]/**RBP**[2] items or agreements relating to safety and soundness
- Completed Closed Information Questionnaire

Note: It is recommended any documents that are not automatically included in MERIT, such as NCUA-developed standard examination documents provided to the SSA including Examination Overview commentary, **DOR**[3] document, and **Examiner**[4]'s Findings, be attached in the Documents section of the Exam Form.

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 CAMELS 3, 4, and 5 credit unions.

If a quorum is not present, examiners will instruct the credit union's management to note it in the board minutes and provide documentation to the examiner regarding whether management adopted the DOR at a subsequent meeting. NCUA examiners will notify their supervisor of the date and time of

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[1]Net Worth Restoration Plan(s)

[2]Revised Business Plan

[3]Document of Resolution

[4]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.).

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.

Exam staff must follow the requirements from the District Management > Joint Conferences and Exit Meetings section of the NSPM as it relates to credit unions and/or exam staff recording meetings.

SSAs[1] should be informed of the recording before the meeting by exam staff.

Note: There may be circumstances where a joint conference and/or exit meeting is held virtually (video or phone). In these cases:

- There is no requirement for examiners to be on camera for virtual meetings
- Annotate the meeting was held virtually in the Closed Information Questionnaire and follow all other NSPM requirements related to joint conferences and exit meetings
- Follow the report issuance requirements discussed in the Disclose NCUA CAMELS and Risk Ratings (if SSA led) or Issue a Report to FISCU (if NCUA led) sections of this FISCU section of the NSPM
- If credit union staff or officials cannot attend a virtual joint conference/exit meeting, or a quorum is not present, document in the Exam Form in MERIT and send the electronic examination report to the credit union
- Request the **CEO**[2]/manager and board review the exam report and contact the EIC with any questions
- If a **LUA**[3] must be signed, get hardcopy signatures through mail or fax, or electronic signatures using PDFs.

Last updated February 2, 2023

Communication with an SSA

Open communication between the NCUA and the state supervisory authority is critical to ensure a robust and effective management of risk to the **NCUSIF**[4]

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[1]State Supervisory Authority
[2]Chief Executive Officer
[3]Letter of understanding and agreement
[4]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.

posed by **FISCUs**[1].

Supervisor Responsibilities

The NCUA supervisor's interaction with the **SSA**[2] 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**[3] supervision programs, less frequent and/or more informal communication may be sufficient. Regardless of the circumstances, supervisors should meet face-to-face with **SSAs**[4] at least annually. The meetings will focus on scheduling, supervision, credit union problem resolution, and addressing issues between respective examiners.

In addition to the face-to-face meetings, the supervisor will maintain phone and email contacts with the SSA for complex or problem credit unions (for example, credit unions with more than $250 million in assets, credit unions exhibiting negative trends or insurability concerns, credit unions with a composite CAMELS rating of 4 or 5, and credit unions with a composite CAMELS rating of 3 or below which in the supervisor's judgment present a material risk to the NCUSIF).

Each December, supervisors will provide the SSA with a list of credit unions the NCUA plans to conduct an examination/supervision contact. The supervisor will state the reason for the NCUA going onsite and may expand or reduce the list throughout the year, as new financial data is available. This will eliminate unwelcome surprises and enable the SSA to plan for NCUA participation into their schedules.

> The NCUA reserves the right to go into any FISCU as frequently as warranted, based on risk to the NCUSIF, and may conduct an independent onsite contact when unable to coordinate a joint contact with the SSA. The NCUA will notify the SSA before initiating any such contact and share the report with the SSA before submission to the FISCU.

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[1]Federally insured, state-chartered credit union
[2]State Supervisory Authority
[3]Federally insured, state-chartered credit union
[4]State Supervisory Authority

Regional Director and Associate Regional Director Responsibilities

The **RD**[1] or designated **ARDP**[2] will meet with the SSA at least once a year. Meetings will focus on the operating agreement, discussing roles, responsibilities, and expectations for the NCUA and the SSA.

Last updated July 29, 2015

Supervision Contacts

The NCUA supervises **FISCUs**[3] based on the risk to the **NCUSIF**[4] through onsite contacts and offsite monitoring of statistical financial reports, etc. FISCUs presenting an increased insurability risk will receive onsite supervision contacts. The **EIC**[5] and supervisor, in consultation with the **ARDP**[6], 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**[7] with less than $250 million in assets, or for ongoing supervision of problem credit unions.

The NCUA will make every effort to coordinate joint NCUA/**SSA**[8] contacts but reserves the right to perform independent onsite contacts. For instance, if the NCUA suspects fraud at a credit union, then an immediate onsite contact will be necessary.

The NCUA may perform independent onsite contacts when necessary due to scheduling issues. The NCUA will offer to provide the SSA a draft copy of solo NCUA contact reports before 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**[9] 28.

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

[1]Regional Director
[2]Associate Regional Director of Programs
[3]Federally insured, state-chartered credit union
[4]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.
[5]Examiner-in-charge
[6]Associate Regional Director of Programs
[7]Federally insured, state-chartered credit union
[8]State Supervisory Authority
[9]Work Classification Code

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 before 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.

Last updated July 29, 2015

Follow-Up Examinations for a Troubled/Problem FISCU (WCC 23)

Follow-up examinations are more comprehensive than other onsite supervision contacts and require an analysis of data to support the CAMELS ratings and administrative action recommendations.

Follow-Up Examination Timeframes

At a minimum, examiners will perform a follow-up examination, which must include a joint conference with the board of directors, when the credit union is a:

Credit Union Description	Follow-Up Exam Requirements
CAMELS 3 > $250 million	NCUA examiners will perform a follow-up examination in conjunction with the **SSA**[1] at least every 180 days (from completion date to start date)
CAMELS 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 start date)

In **FISCUs**[2] with less than $250 million in assets, the **RD**[3] 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 **NCUSIF**[4].

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[1]State Supervisory Authority
[2]Federally insured, state-chartered credit union
[3]Regional Director
[4]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.

Timeframe Exceptions for Follow-Up Examinations

Examiners[1] will consult their supervisor and request an extension via email if they cannot start a follow-up examination within the required timeframe. The guidelines for requesting an extension are:

Credit Union Description	Maximum Extension	Guidelines
CAMELS 3 > $250 million	Contact 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 NCUSIF resulting from the extended timeframe. **Supervisor**[2] must approve all requests for extension and forward approval to the region's **DOS**[3] mailbox. The **ARDP**[4] or **ARDO**[5], as appropriate, must approve and document in writing any additional extensions and associated considerations.
CAMELS 4 or 5 > $250 million		Any request for an extension of the 120-day requirement must include information demonstrating that the credit union will not represent increased risk to the NCUSIF 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.

[1]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.).
[2]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.).
[3]Division of Supervision
[4]Associate Regional Director of Programs
[5]Associate Regional Director of Operations

Tracking of the above timeframes will be determined by the NCUA examination completion date for NCUA onside participation (joint).

Each region will establish monitoring procedures for **FISCU**[1] follow-up examinations and timeframe extensions similar to what is required for supervision of **FCUs**[2]. The ARDP will review the applicable report(s) and share them with their supervisors to evaluate appropriateness and timeliness of completion contacts to ensure a quality and timely supervision program.

Follow-Up Examination Documentation

Examiners will support in the Scope, or by other means that can be part of the administrative record, all the critical problem areas identified during the regular examination. Examiners will indicate the supervision contact was a follow-up examination by selecting "FISCU Follow Up Exam" as the Contact Sub-Type when creating the contact in MERIT. Examiners must document a completed Scope and sufficient work papers to support the scope of the review and conclusions.

The administrative record for FISCUs must also be comparable to FCUs, including maintenance of a Supervision Chronology Report. All follow-up examinations will include a report to the FISCU. The final report may either be a joint report with the SSA or a stand-alone NCUA report.

- All critical input areas
- Scope tasks that were the subject of the follow-up examination
    - Explantions of any change of final risk ratings on the Risk Assessment form
- Sufficient work papers to support the scope of review and the conclusions drawn
- Documentation regarding compliance with any outstanding administrative actions (LUA, PWL, etc.,) in the Status Update
- Documentation regarding compliance with **NWRP**[3]/**RBP**[4] in the Status Update

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[1]Federally insured, state-chartered credit union
[2]Federal credit union
[3]Net Worth Restoration Plan(s)
[4]Revised Business Plan

- Documentation of compliance or non-compliance with previous **DOR**[1] items and updated DOR Issues or Actions in Issue Management
- Written narrative report provided to the credit union (or to the SSA to include in their report if applicable) (for example, Examination Overview, **Examiner**[2]'s Findings, etc.)
- Completed Exam form Completion Information, including all questions and the date of the exit meeting and/or joint conference (a joint conference is required for all CAMELS 3, 4, and 5s, unless the supervisor approves an exception. If a quorum is not present, examiners will instruct the credit union's management to note it in the board minutes and provide documentation to the examiner regarding whether management adopted the DOR at the next board meeting)
- Updated Supervision Chronology Report attached to the document section on the Examinable Entity form for a CAMELS 3 with assets $250 million and greater, and CAMELS 4 or 5
- Consumer Compliance Violations in Issue Management, if applicable
- Completed Closed Information Questionnaire
- 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**[3] will work with the SSA to ensure the report includes required corrective actions, administrative actions, and will provide relevant supporting sections of the report to the officials during the joint conference (for example, DOR, Examiner's Findings, and other appropriate work papers such as the Supplementary Facts). The NCUA EIC will follow up to ensure the SSA issues the report timely. If the SSA does not issue a report as previously agreed or if the report is not timely, the NCUA EIC will notify their supervisor and plan to issue their own report (as discussed in the paragraph below).

When the NCUA issues the report to the credit union, the NCUA EIC will deliver the report as they would an examination report. Examiners must discuss required corrective actions, administrative actions, and provide relevant

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[1]Document of Resolution

[2]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.).

[3]Examiner-in-charge

supporting sections of the report with the officials during the joint conference (for example, DOR, Examiner's Findings, and other appropriate work papers such as the Supplementary Facts).

Last updated February 2, 2023

Onsite Supervision Contacts (WCC 23)

An onsite supervision contact is more limited in scope than an examination or a follow-up examination. **Examiners**[1] will typically perform an onsite supervision contact to review targeted risk area(s), to hold a joint conference if one could not be completed as part of the exam, or to review the credit union's compliance with a **DOR**[2], among other areas of focus.

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 on some, if not all, of the areas identified during an exam. The NCUA **EIC**[3] or supervisor will coordinate with the **SSA**[4] as appropriate.

Recordkeeping Problems at FISCUs

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**[5] 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.

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[1]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.).

[2]Document of Resolution

[3]Examiner-in-charge

[4]State Supervisory Authority

[5]Work Classification Code

Contact Documentation

Examiners document an onsite supervision contact by completing a 2.10 in MERIT, and charging time to WCC 23. Examiners must complete sufficient scope tasks to cover the areas of the contact, and complete MERIT work papers to support the scope of review and conclusions. At a minimum, the supervision contact must include:

- The Microstrategy Analytic PDF and dossier (i.e., mstr) files
- Completed scope tasks covering the areas reviewed.
- Completed Risk Assessment and CAMELS forms. Include a rating for each risk area included and reviewed in the contact, and each CAMELS component and composite. For CAMELS areas not reviewed during the contact, **exam staff**[1] may enter "DNR" (did not review) in the Reasons/Factors sections.
- Written narrative report provided to the credit union if applicable (for example, Examination Overview, Examiner's Findings, etc.). Use the Closed Information Questionnaire to document additional information when a report is not provided to the credit union and in place of a supervision contact memo.
- Updated Supervision Chronology Report saved in the Documents section of the Exam Form for a CAMELS 3 with assets $250 million ore more, and CAMELS 4 or 5 credit unions.
- Any other information necessary to support the scope and time spent on the contact (for example, update Issue Management log with DOR status if focus of contact was to review compliance with DOR items, 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 to CAMELS or risk ratings.

Last updated October 26, 2022

[1]"exam 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.

Offsite Supervision Contacts (WCC 28)

Offsite supervision of **FISCUs**[1] may be necessary in a variety of situations. **Examiners**[2] conduct offsite supervision for discrete supervision or district management activities that are not part of an examination (**WCC**[3] 11) or onsite supervision contact (WCC 23). Offsite supervision contacts are generally very limited in scope and conducted somewhere other than at the credit union. For example, following up on a **DOR**[4] through phone or email, reviewing a credit union's response to a DOR, reviewing monthly board packages, or other correspondence with the credit union.

Offsite supervision of FISCUs may entail review of **SSA**[5] supervision contacts completed between examinations (the NCUA asked the **SSAs**[6] to supply the regional office copies of reports for any follow-up or supervision contacts. The regional office will send the district examiner a copy of all reports and correspondence received).

Examiners will not change a credit union's composite CAMELS rating during a WCC 28 unless the WCC 28 is a review of an SSA onsite contact and if there is a prior NCUA exam or contact in MERIT they should not generate a CAMELS form. When a WCC 28 is used to review an SSA onsite contact, examiners should follow the guidelines outlined under Review of State Examinations regarding disagreements in CAMELS and notification of troubled condition as outlined in various sections of this NSPM section.

Documentation for Offsite Contacts Eight Hours or Longer

A contact is required for all WCC 28 offsite contacts to complete discrete activities (for example, review board packages or credit union's response to the DOR) if **exam staff**[7] charge eight hours or more. Examiners document an offsite supervision contact of eight hours or more by closing a contact in MERIT and charging time to WCC 28.

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[1]Federally insured, state-chartered credit union

[2]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.).

[3]Work Classification Code

[4]Document of Resolution

[5]State Supervisory Authority

[6]State Supervisory Authority

[7]"exam 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.

At a minimum, the examiner must include a completed Exam Form with documentation of the contact scope, progress, conclusions, recommendations, etc. This information should be included in the **Examiner**[1] Comments field in the Exam Notes section of the Exam Form. If exam staff need more room to document the contact, they may attach additional documentation on the Exam Form or create a scope task for that purpose. Examiners must also ensure the supervision plans on the Examinable Entity Form are current to close the contact.

Exam staff will not use offsite supervision (WCC 28) to charge time for substantive work that is completed as part of an examination (WCC 11) or onsite supervision contact (WCC 23), even if the work is completed offsite.

Documentation for Offsite Contacts Less Than Eight Hours

Exam staff will aggregate time spent performing offsite supervision in increments less than eight hours for the same credit union on a quarterly basis, shortly after the end of the quarter. If the aggregate time charged in a quarter is less than eight hours, a contact in MERIT is not required.

[redacted][2] [redacted]

Last updated February 2, 2023

Monthly Financial Monitoring (WCC 28)

Examiners[3] must trend monthly financial data for the following:

- Any CAMELS 4 or 5 credit union with more than $250M in assets
- Any CAMELS 3 credit union with more than $1B in assets
- All cases assigned to the Division of Special Actions

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[2][redacted]

[3]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.).

- All troubled institutions in which financial condition is a concern and the credit union represents significant risk to the **NCUSIF**[1] (as in the case of a large, troubled institution)

Examiners must trend the data using **SATEX**[2] or an equivalent tool. Examiners will charge this type of offsite supervision to WCC 28 and will close a contact in MERIT.

Examiners will make every effort to receive monthly financials directly from the credit union. For example, a section of the **DOR**[3] could request financial and/or board packets be sent on a monthly basis to the respective **SSA**[4] 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**[5] 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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Last updated February 2, 2023

Review of State Examinations

Exam staff will review state examination reports for all **SSA**[6]-led examinations regardless of whether the NCUA participated with the SSA. Review of State Exams are not required for the joint, NCUA-led examinations where the NCUA issues the final report, and the state does not issue a report. The effective date of a Review of State Exam must match the effective date of the SSA examination.

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

[2]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.

[3]Document of Resolution

[4]State Supervisory Authority

[5]Federally insured, state-chartered credit union

[6]State Supervisory Authority

Reviews of State Exams are not required for supervision contacts performed by the SSA.

Conducting a Review of State Exam

Exam staff will begin the Review of State Exam once they receive notification the SSA examination has been closed in MERIT. For states that do not use MERIT, the SSA will send a hard copy of the examination report to the regional office, which forwards the material to the assigned examiner.

Exam staff perform all Reviews of State Exams in MERIT. The level of review required will differ based on whether the NCUA participated in the examination under review.

When completing a Review of State Exam in which the NCUA participated, **exam staff**[1] will:

- Determine whether the examination identifies and addresses the material issues agreed to during the examination
- Ensure the material issues and concerns agreed to during the examination are in the final report provided to the credit union (for example, Examination Overview, **DOR**[2])
    - If material issues are missing or concerns are not addressed in the final examination report, exam staff will notify their supervisor and document the material issues or concerns the examination report does not adequately cover
- Determine if the CAMELS ratings match what was agreed to during the examination
- Ensure supervision plans for the credit union documented during the examination remain adequate.

When completing a Review of State Exam of an examination in which the NCUA did not participate, exam staff will:

[1]"exam 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.
[2]Document of Resolution

- Review the SSA's and the NCUA's supervision efforts to date.
- Determine the appropriateness of the SSA's scope.
- Determine if material risks have been properly identified and addressed by the SSA.
- Document any material risks that were not adequately addressed in the examination report.
- Assign NCUA CAMELS ratings.
    - If there are any CAMELS differences, exam staff will communicate, through their supervisor, any adverse differences in the composite rating to the SSA (for example, if the NCUA's rating is CAMELS composite 3, 4 or 5 and the SSA's rating is better).
    - If exam staff assign a CAMELS composite rating of 4 or 5 during the review and the NCUA CAMELS rating is worse than the rating the SSA assigned and the NCUA did not participate in the examination, exam staff will schedule an onsite contact to evaluate material risks more fully. The NSPM outlines the required timeframes for completing the onsite contact.
- Determine if there are any material weaknesses that would support additional supervision.
- Recommend whether a joint examination or contact is necessary. If the concerns are significant, exam staff 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, exam staff may draft a **RD**[1] letter to the SSA if the report failed to identify or properly address material concerns.
    - NCUA exam staff will first discuss the concerns with their supervisor, who will then discuss with their SSA counterpart. If the issue cannot be resolved at that level, an RD letter may be necessary.

The review should provide an analysis of the operational and financial condition of the credit union, it is not a recap of the SSA's report. Exam staff will provide enough information to give a clear picture of this condition.

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[1]Regional Director

When a Review of State Exam discloses material recordkeeping problems, exam staff will contact their supervisor to determine if an onsite contact is necessary. If necessary, the supervisor will coordinate with the SSA to schedule an onsite contact.

Examiners[1] should use their discretion in charging time to complete reviews of state examinations. Examiners should contact their supervisor if the budgeted hours are not sufficient to complete the review process.

Supervisors should approve additional time if the review warrants additional hours. For example, if exam staff note substantial differences between the agreed upon report and final report issued by the SSA or a substantial amount of time has passed between the examination and review, additional time may be necessary. Examiners document supervisor approval in the Review of State Exam.

Assigning CAMELS and Risk Ratings

Exam staff will assign all CAMELS ratings and all seven risk ratings during a Review of State Exam. Examiners must consider the implications of the CAMELS composite rating on a **FISCU**[2]'s troubled condition designation. Per NCUA regulation § 701.14, Change in official or senior executive officer in credit unions that are newly chartered or are in troubled condition, either the NCUA or the SSA can declare a FISCU in troubled condition; however, the NCUA will not designate a FISCU to be in troubled condition without first making an onsite contact.

For reviews of joint or independent SSA examinations, if NCUA exam staff assigns the same CAMELS composite rating as the SSA, the following actions are required based on the CAMELS composite rating:

- **CAMELS composite 1, 2, or 3—**No further action necessary
- **CAMELS composite 4 or 5—**For newly downgraded CAMELS 4 or 5 **FISCUs**[3], NCUA exam staff must verify whether the FISCU was given notice of its troubled condition status during the examination by either the SSA or NCUA

[1]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.).
[2]Federally insured, state-chartered credit union
[3]Federally insured, state-chartered credit union

For reviews of independent SSA examinations, if NCUA exam staff assigns a CAMELS composite rating of 3, 4, or 5, and the SSA CAMELS composite rating is a 1 or 2, supervisory concurrence is required. Exam staff will document the concurrence in the Closed Information Questionnaire. The NCUA exam staff will also work through their supervisor to schedule an insurance review or on-site supervision contact as necessary to evaluate risk and reach conclusions on the appropriate CAMELS composite rating, as well as agreements for corrective action with credit union management, if necessary.

A subsequent onsite contact is necessary to designate a FISCU in troubled condition after a Review of State Exam to validate the CAMELS ratings. See the NSPM for more information on notices of troubled condition for FISCUs.

An onsite supervision contact must be completed within 60 calendar days of completing the Review of State Exam for FISCUs that the NCUA is downgrading to a CAMELS composite 4 or 5 rating. The onsite supervision contact is to validate the CAMELS rating and trigger the troubled condition designation. However, if there is an official or senior executive officer vacancy, examiners must start the onsite contact within 10 business days of completing the Review of State Exam.

The **ED**[1] must approve any exception to this policy. The requirement to provide management four weeks' notice of the contact is waived, though examiners should provide management as much notice as possible unless fraud is suspected.

When NCUA exam staff assign a CAMELS composite 3 rating and it is worse than the SSA composite rating, exam staff, in concurrence with their supervisor, will determine the best course of action to evaluate material risks more fully. This may include obtaining, through the supervisor, additional examination information from the SSA before completing the Review of State Exam or scheduling an onsite contact, as appropriate.

Timeframes

Exam staff will complete the assigned Review of State Exam and **initiate** a Supervisory Review of State Exam survey within 30 calendar days of notification of the completed SSA examination. The supervisor may complete this survey in excess of the 30 days allotted to exam staff for their Review of State Exam, but within the five business days allotted for survey completion in the

[1]Executive Director

NSPM's Quality Assurance Program>Quality Assurance Roles and Responsibilities section.

The 30 days will start the day exam staff receive notification of the completed SSA examination (or if the report is submitted hard copy, the day the regional office provides exam staff with the report). Supervisors may approve workload-based extensions up to 45 days. Examiners will document the extension approval in the Closed Information Questionnaire.

Once the Supervisory Review of State Exam survey has been completed and received, exam staff should close the Review of State Examination contact within one business day.

MERIT Procedures

Exam staff will perform all Reviews of State Exams in MERIT. To complete a Review of State Exam, exam staff will:

- Review the state's exam documentation (if available) and final examination report.
    - Exam staff should attach the SSA's final examination report to the Exam form in MERIT if the SSA's exam report is not in its MERIT exam.
- Select all seven risk areas when creating the review.
- Select NCUA Only under the Participation Field when creating the review.
- Generate the Required Scope Tasks
- Complete the **Review of State Examination** scope task.
    - This requires exam staff to answer the questions in the scope task. Exam staff must provide comments for any question answered with "no" for questions two through six.
- Attach the Microstrategy Analytic PDF and dossier (mstr) files to the Exam form if these documents are not in the SSA's MERIT exam.
- Complete the **NCUA Risk Assessment** form.
- Complete the **NCUA CAMELS Assessment** form.

- Enter any new issues (**DORs**[1] and Compliance Violations) as Draft Issues that must be tracked and which the SSA did not include as Draft Issues in MERIT
    - For items in the SSA report that meet the NCUA's definition of a DOR, NCUA exam staff must enter the DOR as a Draft Issue if the SSA did not do so (including if the SSA does not use MERIT). Exam staff or their supervisor should notify their SSA contact when they do this to confirm who should be listed as issue or action owner. If the SSA already input a concern meeting the NCUA's definition of a DOR as an **Examiner**[2]'s Finding Draft Issue, it does not also need to be entered as a DOR issue. SSA DORs that do not meet the NCUA definition may be entered at exam staff's discretion.
- Complete the **NCUA Projected Future Contact Hours** section of the Examinable Entity Form.
    - Document any recommendation for future exams, contacts, and budget projections for the next examination cycle. Exam staff must input the next anticipated Review of State Exam in the Anticipated Completion field if no exams or onsite contacts are recommended or planned.
- Enter the Actual Start Date and Actual Completion Date in the Milestones form
- Input contact hours in the Contact Hours section of the Exam Form
- Answer the four questions in the Closure Details section of the Completion Information section of the Exam Form
- Initiate the Supervisory Review of State Exam survey to obtain the supervisor's concurrence on recommended supervision plans and other follow-up actions.
- When publishing the report, select all issues under the Issue Management section, if applicable

[1]Document of Resolution

[2]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.).

- Perform any necessary follow-up action (for example, verbal communication with the SSA, Regional Director letter)

Last updated June 23, 2023

Attaching SSA Documentation

When completing a Review of State Examination, exam staff will attach the documentation reviewed (typically, the examination report if the SSA's MERIT exam does not include the report) to the Exam Form in MERIT.

For joint examinations with an SSA that does not use MERIT, exam staff will attach the workpapers and documentation provided by the SSA to the Exam Form in MERIT. Workpapers and documentation includes, but is not limited to:

- Scope steps
- Examination report
- CAMELS and risk ratings and justification for each
- Examiner’s Findings
- DOR items
- Questionnaires

Exam staff will input the SSA’s Compliance Violations and DORs that meet the NCUA’s definition of a DOR into Issue Management.

Request Additional Information from an SSA

Exam staff will notify their supervisor when an SSA report does not have adequate information to determine the credit union’s risk exposure. The supervisor may contact the SSA to gather additional information or authorize exam staff to contact the SSA directly. If exam staff do not receive the requested information, they will draft an appropriate RD letter to the SSA. The supervisor will also contact the SSA when a review or other information reveals a need for an immediate contact at a specific FISCU.

Also, if an SSA did not close a resolved issue during its MERIT contact, exam staff or their supervisor should reach out to their respective SSA contact person to confirm whether they may close the issue during the Review of State Examination contact.

Review of State Contacts

The SSA may also perform independent onsite supervision contacts or follow-up examinations. If the SSA issues a report during a supervision contact or follow-up examination, NCUA exam staff may review the SSA supervision reports and charge offsite supervision time to **WCC**[1] 28. If the NCUA examiner reviews the SSA supervision report, they will document the review in MERIT using the procedures in this chapter.

Last updated June 23, 2023

Processing Call Reports and Trending for a FISCU (WCC 21)

Examiners[2] will perform offsite supervision while reviewing the Call Reports, risk reports, **FPRs**[3], and other offsite monitoring tools for their district. Examiners will use **WCC**[4] 21 for **FISCU**[5] reviews. Refer to the NSPM for more information on trending.

Last updated July 29, 2015

Request Additional Information from an SSA

Examiners[6] notify their supervisor when an **SSA**[7] 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**[8] 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**[9].

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[1]Work Classification Code

[2]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.).

[3]Financial Performance Report

[4]Work Classification Code

[5]Federally insured, state-chartered credit union

[6]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.).

[7]State Supervisory Authority

[8]Examiner-in-charge

[9]Federally insured, state-chartered credit union

Last updated July 29, 2015

Disclose NCUA CAMELS and Risk Ratings

Examiners[1] will strive to disclose the NCUA CAMELS rating simultaneously with the **SSA**[2] during the final meeting with management and officials, but only after they have received a completed **PSR**[3] or **DSCR**[4], as applicable.

> A final meeting is the last meeting with the credit union and the NCUA present. In most cases, this will be the same as the exit meeting or the joint conference.

The NCUA CAMELS and supporting rationale will be documented using the **FISCU**[5] CAMELS Disclosure Form. The NCUA **EIC**[6] will clearly identify the conditions supporting the individual component ratings and the overall composite rating.

The examiner will use and deliver to the credit union the FISCU CAMELS Disclosure Form located in the MERIT job aids. Exam staff will also publish this form in MERIT.

Note: When publishing the FISCU CAMELS Disclosure Form, **exam staff**[7] should not send issues to Issue Management (in other words, do not select draft issues in the Issue Management field of the Exam Report form) on joint SSA-led exams where the NCUA is the Co-EIC. Exam staff should allow the SSA to perform this function when they publish the final report.

For CAMELS composite 1 or 2 **FISCUs**[8] requiring a DSCR, the examiner, in consultation with their **SE**[9], may decide, based on concerns (or lack thereof) noted during the examination to send the FISCU CAMELS Disclosure Form via

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[2]State Supervisory Authority

[3]Pre-release secondary review

[4]Documented Secondary CAMELS Review

[5]Federally insured, state-chartered credit union

[6]Examiner-in-charge

[7]"exam 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.

[8]Federally insured, state-chartered credit union

[9]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

secured email or share during an exit meeting. The SSA will be invited to participate in the meeting.

For CAMELS composite 3, 4, or 5 FISCUs, a joint conference is required to deliver the NCUA CAMELS. If a PSR or DSCR cannot be completed before the SSA's joint conference, NCUA exam staff may have to schedule a separate joint conference to disclose the NCUA CAMELS rating that provides time for PSR or DSCR completion. The SSA will be invited to participate in the NCUA CAMELS disclosure joint conference.

Last updated June 23, 2023

Joint FISCU Examinations/Contacts

Exam Staff Responsibilities

The NCUA EIC will assign component and composite CAMELS ratings during joint contacts based on the work and conclusions reached by both the SSA and NCUA examiners. For **WCC**[1] 11 and WCC 23 contacts, NCUA examiners will do the following:

- Work cooperatively with the SSA examiner in charge and maintain ongoing communications during the examination, which will include a meeting to discuss differences in CAMELS 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 CAMELS ratings.
    - Once the NCUA supervisor has concurred with the CAMELS ratings, the examiner will proceed to disclose the NCUA's CAMELS as outlined above.
    - If the SSA does not disclose a CAMELS rating either onsite, or if done later than the final meeting, the NCUA will still disclose its rating as outlined above.

[1]Work Classification Code

- In situations where the NCUA EIC issues a different component or composite CAMELS rating than the SSA, the EIC will document efforts to reach agreement with the SSA on the CAMELS rating in the NCUA Closed Information Questionnaire.

NCUA Supervisor Responsibilities

The NCUA supervisor is responsible for ensuring the NCUA EIC supports the CAMELS rating and communicates actively with their SSA counterpart(s) to resolve differences. For WCC 11 and WCC 23 contacts, NCUA supervisors will:

- Review supporting information with in-process examinations to provide concurrence for CAMELS ratings assigned to the FISCU when issuing a differing CAMELS rating
- Communicate with the SSA in advance to notify the SSA supervisory staff that the NCUA has a differing CAMELS rating when the NCUA and SSA EIC cannot agree on a consistent CAMELS rating
- Prioritize performing **DSCRs**[1] of CAMELS for FISCUs in order to allow for the expeditious disclosure of NCUA CAMELS ratings to FISCUs

Regional Office Responsibilities

The regional office is responsible for facilitating open communication with the **SSAs**[2] and completing quality control over the assigned ratings.

CAMELS Differences During WCC 26 Reviews

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

- When the examiner performing the WCC 26 review assigns the same rating as the SSA composite rating, no additional action is needed; unless, the composite rating is a 4 or 5. For newly downgraded CAMELS 4 or 5 FISCUs, the NCUA examiner must verify whether the FISCU was given notice of its troubled condition as outlined in the NSPM.

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[1]Documented Secondary CAMELS Review
[2]State Supervisory Authority

- When the NCUA examiner assigns a different composite rating, but chooses to rate the credit union a composite CAMELS 1 or 2, no further action is needed.
- When the NCUA examiner's rating differs from the SSA composite rating and a composite CAMELS 3 is assigned by the NCUA, the examiner, in concurrence with their SE, will determine the best course of action to more fully evaluate material risks. This may include obtaining, through the SE, additional examination information from the SSA before completing the WCC 26 contact or scheduling an onsite contact, as appropriate.
- When the NCUA examiner's rating differs from the SSA composite rating and a composite CAMELS 4 or 5 is assigned by the NCUA, the examiner will schedule an onsite review sufficient to more fully evaluate material risks. The examiner may obtain, through their supervisory examiner, additional examination information from the SSA to more fully evaluate risks before completing the WCC 26 contact or scheduling an onsite contact, as appropriate.

See the Reviews of SSA Examinations section of the NSPM for timeframes for completing the subsequent onsite contact. A credit union is not considered in troubled condition based on an NCUA CAMELS 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.

Exam Staff Responsibilities

The following process is used for WCC 26 reviews when the examiner assigns a CAMELS composite rating of 3, 4 or 5 which differs from the SSA assigned rating:

- The NCUA examiner will obtain supervisor concurrence for CAMELS differences with the SSA where the NCUA issues a composite CAMELS 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 CAMELS 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 CAMELS identified during WCC 26 reviews.
- **ARDPs**[1] 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**[2] approval is needed if a joint contact cannot be scheduled within a reasonable timeframe and the NCUA does not perform its own insurance review or on-site supervision contact.

E&I Responsibilities

E&I[3] will monitor national and regional trends with respect to differences in CAMELS ratings and summarize the frequency and magnitude of CAMELS differences within regions and selected states no less than annually. The goal for such reviews is to ensure the consistent application of CAMELS, especially in instances when an NCUA CAMELS differs from the SSA CAMELS.

Last updated October 14, 2021

[1]Associate Regional Director of Programs
[2]Associate Regional Director of Programs
[3]Office of Examination and Insurance

Joint Conferences

Joint examinations of **FISCUs**[1] with a CAMELS 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**[2] will disclose the NCUA CAMELS ratings (components and composite) to the board both verbally and in writing.

The **SSA**[3] examiner and the NCUA **EIC**[4] will hold an exit meeting in CAMELS 1 or 2 FISCUs if a joint conference is not necessary or requested. In this situation, examiners will disclose the NCUA CAMELS 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 90-day guideline for examination completion.

Exam staff must follow the requirements from the District Management > Joint Conferences and Exit Meetings section of the NSPM as it relates to credit unions and/or **exam staff**[5] recording meetings. **SSAs**[6] should be informed of the recording before the meeting by exam staff.

Note: There may be circumstances where a joint conference or exit meeting is held virtually (video or phone). In these cases:

- Examiners are not required to be on camera for virtual meetings.
- Annotate the meeting was held virtually in the Closed Information Questionnaire and follow all other NSPM requirements related to joint conferences and exit meetings.

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[1]Federally insured, state-chartered credit union

[2]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.).

[3]State Supervisory Authority

[4]Examiner-in-charge

[5]"exam 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.

[6]State Supervisory Authority

- Follow the report issuance requirements discussed in the Disclose NCUA CAMELS and Risk Ratings (if SSA led) or Issue a Report to FISCU (if NCUA led) sections of this **FISCU**[1] section of the NSPM.
- If credit union staff or officials cannot attend a virtual joint conference/exit meeting, or a quorum is not present, document in the Exam Form in MERIT and send the electronic examination report to the credit union.
- Request the **CEO**[2]/manager and board review the exam report and contact the EIC with any questions.
- If a **LUA**[3] needs to be signed, get hardcopy signatures through mail or fax, or electronic signatures using PDFs.

Last updated May 12, 2022

Issue a Report to a FISCU

Generally, during joint contacts, the **SSA**[4] publishes the final report and closes the MERIT exam (some state exceptions do exist). In instances where the NCUA takes the lead, as a courtesy, the SSA should be able to review the finalized examination report before it is issued to the credit union. However, issuance of the exam report is at the NCUA's discretion. NCUA staff will invite the SSA to the joint conference.

NCUA examiners will ensure work papers from their review are attached to scope tasks in the joint MERIT exam, or provided to the SSA **EIC**[5] electronically if separate MERIT exams are being performed. The NCUA EIC will draft sections or work with the SSA to draft sections of the Examination Overview, **DOR**[6], or comparable document pertaining to the NCUA's areas of concern including documentation to support the report's findings and conclusions.

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

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[1]Federally insured, state-chartered credit union
[2]Chief Executive Officer
[3]Letter of understanding and agreement
[4]State Supervisory Authority
[5]Examiner-in-charge
[6]Document of Resolution

be required of the **FISCU**[1], including respective CAMELS component and composite ratings.

Any disagreements concerning the content of documents will be resolved before 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**[2]. If agreement is still not possible, examiners will draft an NCUA Concerns section for the SSA to include in the issued report. This should outline the issues and required resolution. **Examiners**[3] 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**[4] 26 review regarding the issues, and draft a Regional Director letter to the FISCU stating the NCUA's concerns and necessary corrective action.

Last updated October 26, 2022

Exam and Contact Closure

Exam staff will close contacts for **FISCU**[5] onsite contacts as they would for **FCUs**[6]. Exam staff will enter the examination/supervision completion date on the Exam Form in the Milestones section. The completion date is the day **exam staff**[7] last charged time to the exam or contact 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

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[1]Federally insured, state-chartered credit union

[2]Associate Regional Director of Programs

[3]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.).

[4]Work Classification Code

[5]Federally insured, state-chartered credit union

[6]Federal credit union

[7]"exam 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.

- Date exam staff receive the completed **DSCR**[1] or **PSR**[2] (for NCUA-issued reports)

> If the completion date exceeds five business days due to items such as conferences, training, or leave, exam staff will document the circumstance(s) in the Closed Information Questionnaire, noting supervisor concurrence.

Last updated October 14, 2021

Credit Union Enforcement Action

[redacted][3] [redacted][4] [redacted][5] [redacted][6] [redacted]

The NCUA will communicate with the SSA on an ongoing basis regarding all PCA actions that involve a **FISCU**[7] taken under part 702 of the NCUA's regulations.

Last updated July 29, 2015

Consumer Compliance Program

If the **SSA**[8] is responsible for determining consumer compliance in the **FISCU**[9], the SSA's procedural responsibilities include:

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[1]Documented Secondary CAMELS Review
[2]Pre-release secondary review
[3][redacted]
[4][redacted]
[5][redacted]
[6][redacted]
[7]Federally insured, state-chartered credit union
[8]State Supervisory Authority
[9]Federally insured, state-chartered credit union

- Completing the consumer compliance checklists during the examination
- If compliance violations are identified in the FISCU
  - Entering violation(s) and problem codes in the Issue Management tab in MERIT (**ISM**[1])
  - Describing the problem/deficiency and the actions the credit union plans to initiate to resolve the situation (preferably using the Supplementary Facts document)
- Continuing to document the violation(s) in MERIT (or email the examination, including the compliance forms/documents, to the regional office)

If a compliance violation exists, and the SSA did not include it in the Issue Management section, the NCUA examiner completes it during the **WCC**[2] 26 review.

If the credit union is unable or unwilling to take corrective action, the NCUA examiner:

- Reviews the situation
- Consults with their supervisor to determine what further action, if any, is needed on the NCUA's part
- Seeks assistance from **OGC**[3] if violations are serious (examiner should work through the regional office to seek assistance)
- Notifies their supervisor and the SSA of the determination

Last updated October 26, 2022

[1]Issues Management in MERIT
[2]Work Classification Code
[3]NCUA's Office of General Counsel

Prompt Corrective Action

PCA[1] is designed to restore and improve the net worth of federally insured credit unions. When a credit union is subject to PCA, **exam staff**[2] will monitor compliance with all applicable provisions of PCA contained in part 702 of the NCUA's regulation. This section establishes national policy and guidelines NCUA staff will follow when completing PCA-related work assignments and examination/supervision of PCA-related issues.

Last updated October 26, 2022

Prompt Corrective Action Classification

Exam Staff Responsibilities

- Determine the effective date and **PCA**[3] classification as defined under § 702.101(c) and § 702.102
- Ensure credit unions under your supervision comply with all requirements of part 702, Capital Adequacy

At its discretion, the regional office may provide documentation to **exam staff**[4] to determine the effective date of classification or if a credit union is newly chartered. However, it is incumbent on exam staff to recognize their district's information.

Last updated October 26, 2022

Net Worth Category Classification

Exam staff must consider if a credit union meets any applicable risk-based requirements for PCA classification.

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[1]Prompt Corrective Action(s)

[2]"exam 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.

[3]Prompt Corrective Action(s)

[4]"exam 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.

Credit Union NOT Classified as New Under PCA						
Capital classification	**Net worth ratio**		**Risk-based capital ratio, if applicable**		**CCULR[1], if applicable**	**And subject to following condition(s)...**
Well Capitalized	7% or greater	And	10% or greater	Or	9% or greater*	
Adequately Capitalized	6% to 6.99%	And	8% or greater	Or	N/A	And does not meet the criteria to be classified as well capitalized.
Undercapitalized	4% to 5.99%	Or	Less than 8%	Or	N/A	—
Significantly Undercapitalized	2% to 3.99%	—	N/A	—	N/A	Or if "undercapitalized at <5% net worth and (a) fails to timely submit, (b) fails to materially implement, or (c) receives notice of the rejection of a net worth restoration plan.
Critically Undercapitalized	Less than 2%	—	N/A	—	N/A	—

* A qualifying complex credit union opting into the CCULR framework should refer to § 702.104(d)(7) if its CCULR falls below 9.0 percent.

Credit Union Classified as New	
Capital Classification	**Net Worth Ratio**
Well Capitalized	7% or greater
Adequately Capitalized	6 to 6.99%
Moderately Capitalized	3.5% to 5.99%
Marginally Capitalized	2% to 3.49%
Minimally Capitalized	0% to 1.99%
Uncapitalized	Less than 0%

For PCA purposes, a "new" credit union is one that has been in operation for less than 10 years and has total assets of $10 million or less.

The NCUA Board may reclassify a well-capitalized credit union as adequately capitalized. It may also require an adequately capitalized or undercapitalized credit union to comply with certain mandatory or discretionary supervisory actions as if it were classified in the next lower capital category (each of such actions are later referred to generally as "reclassification") in the following circumstances (§ 702.102(b)):

1. The credit union is in an unsafe or unsound condition.

2. The credit union has not corrected a material unsafe or unsound practice of which it was, or should have been, aware.

Effective Date of Classification

The effective date of the net worth classification, as defined in NCUA Regulations §702.101(c) is the most recent of the:

- Last day of the calendar month following the end of the calendar quarter (determined by the Call Report filing and the most typical effective date);
- Date the credit union received subsequent written notice from the NCUA or, if state-chartered, the appropriate **SSA**[1], 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; or

[1]State Supervisory Authority

- 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 Closed Information Questionnaire scope task, 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) (see sample **RDLs**[1].) Forward the draft letter through your supervisor to the regional **DOS**[2] mailbox for processing. This should be rare. In most circumstances, your findings to lower a credit union's net worth category would be significant, and warrant publishing a MERIT contact report to the officials for the administrative record.

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
FCU[3]	If the contact involves publishing a MERIT contact report (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 publishing a report in MERIT, the effective date will be the date the credit union receives the notification letter.
FISCU[4]	NCUA exam staff should consult and work cooperatively with

[1]Regional Director letter
[2]Division of Supervision
[3]Federal credit union
[4]Federally insured, state-chartered credit union

Credit Union Description	Effective Date
	the appropriate SSA official before correcting a net worth category of a FISCU. NCUA exam staff 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 classification date for an independent examination completed by the SSA: when the SSA releases its official examination report • Effective classification date for a joint examination, when the NCUA **EIC**[1] knows the SSA will provide a timely examination report to the FISCU: once the SSA releases its official examination report • For joint examinations in which the SSA may not release its examination report for several months, or for an independent insurance review completed by the NCUA, follow the same procedure used for **FCUs**[2] (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.

Last updated October 26, 2022

Earnings Retention Requirements for "Adequately Capitalized" or Lower Federally Insured Credit Unions

Subpart A 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 the NSPM's Regulatory Waivers and other Regulatory Actions section.

[1]Examiner-in-charge
[2]Federal credit union

Exam Staff Responsibilities

- Revie the accuracy and adequacy of the quarterly net worth increases since the last supervision contact during examinations, follow-up examinations, or other supervision activity
- Determine if a **FICU**[1] needs 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 it is likely that a credit union must 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 no later than 14 days before quarter end.
- Document the violation in the exam report if you determine a FICU failed to meet the earnings retention requirements for one or more of the previous quarters during the course of an examination, follow-up examination, or other supervision activity
    - The NCUA can take supervisory or other enforcement action against credit unions that either decrease their earnings retention without permission or persistently fail to file their waiver requests no later than 14 days before quarter end. Exam staff should instruct management to establish procedures to reduce dividends to achieve the required earnings retention requirements or obtain an earnings retention waiver from the NCUA before paying dividends.
- Prepare a brief memo outlining your findings and forward it to your supervisor if you identify a federal credit union that failed to meet its earnings retention requirements and did not seek a waiver (§ 702.106, Prompt corrective action for "adequately capitalized" credit unions) through supervision activity outside of an examination or follow-up examination
    - Include a draft letter that notifies the officials of the credit union. The supervisor will e-mail the memo and draft letter to **DOS**[2] Mail for processing.

[1]Federally insured credit union
[2]Division of Supervision

- In a joint **FISCU**[1] exam, **exam staff**[2] should work with the **SSA**[3] to ensure the exam addresses the credit union's failure to meet its earnings retention requirements without a waiver
    - If the problem is seen through other supervision activity, you will follow the procedures outlined in the NSPM and work with the **SE**[4] to alert the SSA of the regulatory violation before the notification letter is sent to the FISCU. The SSA will also be copied on the notification letter.

Last updated October 26, 2022

Net Worth Restoration Plans and Revised Business Plans

Exam staff are responsible for monitoring compliance with the proper filing and maintenance of a net worth restoration plan (**NWRP**[5]) under § 702.111 and a revised business plan (**RBP**[6]) for new credit unions under § 702.206. **RDs**[7] have delegated authority in the management of the NWRP and RBP approval process.

Credit unions with a net worth ratio (**NWR**[8]) of less than six percent are required to have in place an NCUA-approved NWRP or, in the case of new credit unions, an initial business plan or an RBP. Credit unions classified as complex per § 702.103 must also meet a risk-based capital (RBC) requirement. If the credit union fails to meet its RBC requirement, it is classified as undercapitalized.

A credit union is defined as "complex" if the credit union's quarter-end total assets exceed $500,000,000.

A NWRP/RBP questionnaire is available in MERIT. A sample NWRP/RBP and assumptions workbook is available in the NSPM. The NCUA's Office of Credit

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[1]Federally insured, state-chartered credit union

[2]"exam 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.

[3]State Supervisory Authority

[4]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

[5]Net Worth Restoration Plan(s)

[6]Revised Business Plan

[7]Regional Director

[8]Net worth ratio

Union Resources and Expansion may be available to assist new credit unions with **RBPs**[1], and other credit unions with less than $10 million in assets. The regions should contact **CURE**[2] to determine if this is feasible for a particular credit union.

Last updated October 26, 2022

Failure to Submit an NWRP/RBP

DOS[3] will monitor credit unions that fail to submit a **NWRP**[4]/**RBP**[5] 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 file the NWRP within regulatory timeframes, **exam staff**[6] will draft a **RDL**[7] (use the Notify Credit Union of Need to Submit NWRP/RBP template), through their supervisor. The RDL will give the credit union 15 calendar days after receiving the notice to submit the NWRP in accordance with § 702.111. The supervisor will submit the letter to DOS Mail within three business days of receipt. **FISCUs**[8] may require **SSA**[9] consultation.

> Sometimes credit unions may be in the process of or choose to seek a merger. The **RD**[10] can agree to accept a merger plan in lieu of a NWRP/RBP. However, the RD's approval should be subject to the credit union filing an acceptable merger plan or NWRP by a reasonable but specified deadline.
>
> If the merging credit union is critically undercapitalized the deadline should be set to ensure compliance with § 702.109.

Last updated October 26, 2022

[1]Revised Business Plan
[2]NCUA's Office of Credit Union Resources and Expansion
[3]Division of Supervision
[4]Net Worth Restoration Plan(s)
[5]Revised Business Plan
[6]"exam 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.
[7]Regional Director letter
[8]Federally insured, state-chartered credit union
[9]State Supervisory Authority
[10]Regional Director

Processing a Federal Credit Union NWRP/RBP

Division of Supervision Responsibilities

Due to the time sensitivity of **NWRP**[1]/**RBP**[2] packages, **DOS**[3] should perform a cursory review of the incoming package for completeness, ensuring all the required information as outlined in § 702.111(c) or § 702.206(b) is included. For 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 **exam staff**[4] and the supervisor with a required response date at least 10 business days before the **RD**[5]'s response deadline
- A letter to the credit union and provide a date by which the RD will respond consistent with § 702.111(f) or § 702.206(d).

When it receives the recommendation from exam staff, it will process the outgoing correspondence ensuring the regulatory response deadlines are met.

Exam Staff Responsibilities

Upon receipt of a substantially complete package, exam staff 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**[6] 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 are recommending denial of the plan, the letter must list the specific deficiencies in the plan that

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[1]Net Worth Restoration Plan(s)
[2]Revised Business Plan
[3]Division of Supervision
[4]"exam 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.
[5]Regional Director
[6]Prompt Corrective Action(s)

warrants denial. When preparing a Regional Summary where **CURE**[1] assisted with the NWRP, exam staff will note CURE's assistance in the summary.

Last updated October 26, 2022

Processing a FISCU NWRP/RBP

A **FISCU**[2] will submit its plan to the **RD**[3] and the **SSA**[4]. The processing procedures for **FCUs**[5] apply to **FISCUs**[6], besides 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**[7] will courtesy copy the appropriate SSA on all signed correspondence between the RD, DOS, and a FISCU including any RD approval or denial letters

Last updated October 26, 2022

Monitoring NWRPs and RBPs after Approval

Exam staff will:

- Monitor each credit union operating with a **NWRP**[8] or **RBP**[9]
- Complete a quarterly PCA tracking report for these credit unions until the plan is no longer needed
- Provide their supervisor with the quarterly **PCA**[10] tracking report

Field supervisors will provide the PCA tracking reports to **DOS**[11]. Exam staff and their supervisor are responsible for monitoring compliance with the NWRP/RBP. Exam staff will perform supervision contacts of these credit unions to assess compliance with PCA and overall net worth stability. Exam staff

[1]NCUA's Office of Credit Union Resources and Expansion
[2]Federally insured, state-chartered credit union
[3]Regional Director
[4]State Supervisory Authority
[5]Federal credit union
[6]Federally insured, state-chartered credit union
[7]Division of Supervision
[8]Net Worth Restoration Plan(s)
[9]Revised Business Plan
[10]Prompt Corrective Action(s)
[11]Division of Supervision

should document their compliance review in the Status Update of each examination's Exam Form.

If a review determines a credit union has materially fallen short of the plan's earnings and net worth ratio goals, **exam staff**[1] will:

- Instruct the credit union to adjust 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, exam staff will send an e-mail (through their supervisor) to their region's DOS mailbox along with a draft **RDL**[2] (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 retention, 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.

Last updated October 26, 2022

NWRP/RBP that are No Longer Needed

Once a credit union with a **NWRP**[3] is effectively classified as "adequately capitalized" under **PCA**[4] and successfully remains so for four consecutive calendar quarters, the credit union is no longer required to operate under a NWRP as it is no longer in effect.

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[1]"exam 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.

[2]Regional Director letter

[3]Net Worth Restoration Plan(s)

[4]Prompt Corrective Action(s)

A new credit union's **RBP**[1] remains in effect until they are no longer considered new (for example, the credit union has been in operation more than ten years or has assets greater than $10 million)..

With the supervisor's concurrence, **exam staff**[2] will review the credit union's financial and operational condition, confirm the accuracy of the net worth classification, and draft a memo to the **RD**[3] 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**[4], the supervisor will contact the **SSA**[5] to discuss the NWRP/RBP ending and ongoing supervision plans. The SSA will receive a courtesy copy of the letter notifying the **FISCU**[6] the NWRP/RBP is no longer in effect.
- The supervisor will review the recommendation and draft letter and forward these items to **DOS**[7] for processing.
- The regional office will issue the letter to credit unions formally acknowledging the NWRP/RBP is no longer in effect.

Last updated October 26, 2022

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[1]Revised Business Plan

[2]"exam 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.

[3]Regional Director

[4]Federally insured, state-chartered credit union

[5]State Supervisory Authority

[6]Federally insured, state-chartered credit union

[7]Division of Supervision

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

Discretionary Supervisory Actions

For DSAs, **exam staff**[1] will submit through their supervisor:

- A Regional Summary
- The credit union's most recent balance sheet and income statement

DOS[2] will review and process the action for **RD**[3] approval (and NCUA Board approval if necessary).

- If NCUA Board approval is necessary, the region is responsible for submitting the **BAM**[4] and obtaining concurrence from **E&I**[5] and **OGC**[6] within completion due dates for Board actions.

Other Corrective Actions for Critically Undercapitalized Credit Unions

For critically undercapitalized credit unions, the NCUA may approve other corrective action in lieu of conservatorship or liquidation (§ 702.109(c)). The RD has delegated authority to approve **OCA**[7] for credit unions with assets less than $5 million. The NCUA Board approval as well as concurrence from E&I is required for credit unions greater than $5 million in assets.

Processing

NCUA Instruction 4820, Enforcement Manual, addresses the required contents of OCA packages. For OCA requiring Regional Director approval only, use the Regional Summary of OCA RD Approval template.

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[1]"exam 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.
[2]Division of Supervision
[3]Regional Director
[4]Board Action Memorandum
[5]Office of Examination and Insurance
[6]NCUA's Office of General Counsel
[7]Other corrective action

Timing of Submission

Submission timing is critical, especially when NCUA Board approval is required. The NCUA has 90 days from the effective date the credit union became critically undercapitalized to approve OCA. The region is responsible for submitting the BAM and obtaining concurrence from E&I and OGC within completion due dates for Board actions.

FISCUs

Joint actions with the **SSA**[1] are preferred for **FISCUs**[2]. However, exam staff can recommend actions without SSA concurrence, if necessary. You should note the concurrence or non-concurrence of the SSA in the Regional Summary.

Last updated October 26, 2022

Monitoring and Controls

Regional Level Reporting

- Regions will monitor credit union compliance with **PCA**[3] and maintain records of all PCA actions.
- Each region will submit a PCA status report to **E&I**[4] each quarter by the 25th of the 2nd month following quarter end.
- The regional offices are responsible for maintaining the administrative record supporting actions taken.

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

E&I Level Reporting

E&I will:

- Review on a quarterly basis regional activity to track regional and national trends for consistency and policy formation purposes

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[1]State Supervisory Authority
[2]Federally insured, state-chartered credit union
[3]Prompt Corrective Action(s)
[4]Office of Examination and Insurance

- Issue a national-level 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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Prompt Corrective Action Templates

General

- Quarterly **PCA**[1] Tracking Report
- Regional Summary of **DSA**[2] Board Approval (**E&I**[3] format)
- Regional Summary of DSA **RD**[4] Approval
- Regional Summary of **OCA**[5] RD Approval

Net Worth Restoration Plans and Revised Business Plans

- Non-Critically Undercapitalized Net Worth Category Reclassification
- Critically Undercapitalized Net Worth Reclassification
- Sample Pro Forma Financials and Ratios (.xls)
- **NWRP**[6]/**RBP**[7] and Assumptions Workbook Sample
- Regional Summary of NWRP/RBP Review
- NWRP/RBP Review Checklist
- Approve NWRP/RBP
- Deny NWRP/RBP

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[1]Prompt Corrective Action(s)
[2]Division of Special Actions or discretionary supervisory actions
[3]Office of Examination and Insurance
[4]Regional Director
[5]Other corrective action
[6]Net Worth Restoration Plan(s)
[7]Revised Business Plan

- 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

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Postmortems and CU Closure/Failure Reporting

A postmortem is a report that documents the NCUA's investigation and analysis and/or **SSA**[1]'s supervision of a failed credit union. The primary purposes of a postmortem are to:

- Determine and analyze the causes of credit union failures and resulting losses to the **NCUSIF**[2]
- Identify ways to better address problems before they result in a loss to the NCUSIF
- Assess the strengths and weaknesses of the NCUA's various supervision and risk management policies and programs
- Develop recommendations to improve NCUA's programs and training

If a postmortem preparer identifies obvious gross negligence at a credit union, they will notify their supervisor, who will ensure the appropriate Regional Director is informed of the situation. This may result in a separate recommendation for a formal enforcement or other legal action against individuals affiliated with the credit union.

Among other things, preparing a postmortem includes:

- Analyzing examination reports
- Interviewing NCUA staff, including **exam staff**[3] and exam supervisors for the credit union over the past three years
- Reviewing documentation associated with the supervision of the subject credit union(s), such as:
    - 5300 Call Reports
    - **FPRs**[4]

[1]State Supervisory Authority

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

[3]"exam 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.

[4]Financial Performance Report

- Pertinent regional and national policies and procedures
- Credit union data and correspondence maintained at the regional office
- Office notes and correspondence regarding credit union supervision

A postmortem should be well-documented and well-researched, with a focus on why the credit union failed. It should also include the NCUA's recommendations on how similar failures can be prevented.

Requirements

The NCUA requires a postmortem on any credit union that has an estimated loss at the failure date (the effective date of the assisted merger or effective date of the liquidation) of $2 million or more. However, **OIG**[1], **E&I**[2], or the region responsible for supervisory oversight of a failed credit union may elect to complete a postmortem on a failed credit union that results in a loss below this threshold.

The region responsible for supervisory oversight of a failed credit union will determine the estimated loss (not cash outlay) to the NCUSIF as of the failure date.

Thresholds for Postmortems Using Loss at Failure

Loss Amount	Entity Responsible for Conducting Postmortem	Deviations from the Thresholds
$2 million to $5 million and not reviewed by the OIG	Region	An **RD**[3] may establish a lower threshold or require a postmortem for any failed credit union for quality control purposes. If the region determines completion of a postmortem required by this policy is not warranted, it need not be completed if the E&I Director concurs in writing.
> $5 million and not reviewed by	E&I	E&I Director may assign completion of a postmortem on failures with an estim-

[1]Office of the Inspector General
[2]Office of Examination and Insurance
[3]Regional Director

Loss Amount	Entity Responsible for Conducting Postmortem	Deviations from the Thresholds
the OIG		ated loss at failure date of less than $5 million. In these cases, the region will not complete a postmortem. E&I will notify the region of its intent to complete a postmortem within 60 days of a credit union's failure date. If E&I determines completion of a postmortem required by this policy is not warranted, it need not be completed if the **ED**[1] concurs in writing.
> $25 million and in excess of 10 percent of total credit union assets or when OIG decides to conduct a review	OIG	OIG is required to conduct a review under part 216 (12 U.S.C. 1790d(j)) of the Federal Credit Union Act for losses at this level. OIG may conduct a review of any failed credit union and will typically do so when there are unusual circumstances. Whenever OIG conducts a review, E&I and the region will not complete a postmortem.

E&I will maintain a postmortem tracking report to monitor compliance with the NSPM and distribute it to the regions annually.

Roles and Responsibilities

The table below summarizes postmortem roles and responsibilities.

Postmortem	Region as Lead	E&I as Lead
Prepare draft	Region	E&I
Review draft	E&I, SSA & **OGC**[2]	Region, SSA & OGC
Review final	Region	E&I
Distribute final	Region	E&I

[1]Executive Director
[2]NCUA's Office of General Counsel

Postmortem	Region as Lead	E&I as Lead
Create final redacted	Region	E&I
Review redacted final	E&I	Region & SSA
Distribute redacted final	E&I	E&I
Closure/Failure questionnaire	Region	Region

Completion Timeframe

E&I will distribute a final redacted postmortem report within 12 months of a credit union's failure date unless a longer time period for a specific post-mortem is approved by the ED.

Conflicts of Interest

Staff responsible for preparing a postmortem must be free from apparent conflicts of interest or possible lack of objectivity (for example, the analyst performing the postmortem was an examiner who served as **EIC**[1] in a previous examination at the failed credit union). If the preparing office identifies a conflict of interest, it will assign another employee, or if necessary, coordinate with another office for completion of the postmortem.

Draft

To begin the postmortem drafting process, a preparer should carefully review and analyze the administrative record, including relevant documentation and examination reports, regional office files, and examiner files. Preparers should also interview NCUA staff involved with the specific credit union case. Circumstances may also warrant discussion with the auditors, the bonding company, **AMAC**[2], or the respective SSA (consultation with OGC is necessary before meeting with external parties). The templates to this chapter include potential interview questions a preparer may use to gather information and develop an understanding about the supervision of a credit union that later failed.

[1]Examiner-in-charge
[2]Asset Management Assistance Center

Template

A postmortem template is available in the templates section of this chapter. Adhering to the template will help a preparer draft a report that achieves the desired purpose and focuses on the reasons for a credit union's failure.

Postmortem Section	Description
Cover Page	Identifies the credit union's name and charter number, the region or office that prepared the postmortem, and month and year a postmortem was completed
Table of Contents	Automatically populates page numbers and section titles when updated
Purpose, Objectives, and Scope	Provides reason(s) for conducting a postmortem and the process applied; template includes boilerplate language that can be easily updated to ensure all required, relevant information is included
Executive Summary	This section is generally one page and contains a brief introductory paragraph that includes: • Supervision background • Credit union's asset size • Date the credit union was placed into conservatorship, merged, liquidated, purchased and assumed, or resolved through some other action • Explanation of why the credit union was placed into conservatorship, merged, etc. • Estimated dollar loss to the NCUSIF as of the failure date • Bulleted list of contributing factors associated with the credit

Postmortem Section	Description
	union's failure
Background	A narrative discussion of the supervision and relevant information about credit union management's activities and decisions, field of membership changes, etc. The length of this section will vary depending upon the circumstances of a credit union, but the preparer should be as thorough as possible. Content should focus on problems contributing to failure and support the reasons for failure listed in the Executive Summary, the Observations and Lessons Learned, and Recommendations.
Observations and Lessons Learned	Observations related to the credit union failure (including any supervision or resolution weaknesses) and lessons learned regarding those observations; the preparer may reach out to AMAC for input on this section.
Recommendations	Recommendations to address observations included in the preceding section; may identify additional recommendations. Recommendations should include specific action items an office or region can carry out and must be measurable and achievable. The preparer should identify the office responsible for implementing each recommendation and consult (formally or informally) with it about the reasonableness of any recommendations before distributing a postmortem.
Corrective Action Taken	Lists any corrective actions (Letter to Credit Unions, Supervisory Letter, reg-

Postmortem Section	Description
	ulation, etc.) taken by NCUA since the credit union's failure that address the observations and reasons for failure identified in the postmortem.
Appendix A: Examination and Supervision History	A standardized table that summarizes the relevant examination and supervision contacts (by both NCUA and SSA staff), CAMELS(S) ratings, assets, net worth ratio, and comments, if applicable.
Appendix B: Summary of Administrative and Enforcement Actions	A standardized table that summarizes the supervisory actions taken by the NCUA and/or SSA (including **RDL**[1], **LUA**[2], **PWL**[3], cease and desist order, conservatorship, and liquidation) and the date of such action.

Postmortem preparers should also:

- Set the tone with a clear statement of facts and avoid criticizing actions taken
- Objectively identify what went wrong rather than placing blame
- Use examples and facts to support lessons learned and recommendations
- Identify practical actions that could be taken to improve the overall examination and supervision program

Review

Postmortem drafts must be reviewed before being finalized and released for distribution. The templates section to this chapter includes a postmortem completion checklist to assist preparers.

[1]Regional Director letter
[2]Letter of understanding and agreement
[3]Preliminary Warning Letter

Interviewee Review

Preparers should send the postmortem draft to any NCUA staff interviewed during the preparation of the postmortem and allow them to review the content for accuracy. If there are significant changes, the preparer will work with the region where the failed credit union previously operated for collaboration. The preparer will send an updated courtesy copy of the report (no reply necessary) to the region.

E&I Review

Regional preparers will send a draft postmortem to E&I for comment, allowing 30–45 days for review. Preparers will incorporate feedback into the draft report as applicable.

Region Review

E&I preparers will send a draft postmortem to the respective region for comment, allowing 30–45 days for review. Preparers will incorporate feedback into the draft report as applicable. If there are significant changes, the preparer will send an updated courtesy copy of the report (no reply necessary) to the region in which the failed credit union previously operated.

OGC Review

Regional and E&I preparers will send a draft postmortem to OGC for comment, allowing 30-45 days for review. Preparers will incorporate feedback into the draft report as applicable.

Regional preparers can distribute a draft postmortem to E&I and OGC concurrently.

SSA Review

If the subject credit union is a **FISCU**[1], the preparer will send the draft postmortem to the relevant SSA for review and comment. NCUA Instruction 13500.11, Information Sharing with State Supervisory Authorities, outlines the requirements for releasing draft and final unredacted postmortem reports to an SSA. The preparer should reference the Instruction and, if necessary, contact OGC and E&I with any questions about the latest requirements for

[1]Federally insured, state-chartered credit union

SSAs[1]. Signed information sharing MOUs with the SSAs can be found on NCUA Central.

The RD or E&I Director will request the SSA review the report for factual accuracy and comment on the draft report using the template cover letter available on E&I's NCUA Central Postmortem site. The SSA will be given 30-45 days to prepare and submit comments. The preparer will incorporate the SSA's comments, where appropriate, into the draft.

Distribute

Once a draft postmortem has been reviewed and updated, the preparing office will distribute the final postmortem. To maximize educational impact, the preparing office will distribute finalized required postmortems to the following recipients:

- NCUA Board
- ED
- OIG
- OGC
- E&I Division Directors, Mid-Level Supervisors, Risk Officers, and Fraud Officers
- All **RDs**[2]
- Director of **ONES**[3]
- Director of **CURE**[4]
- Chief Economist
- Director of the **OCFP**[5]
- AMAC President

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[1]State Supervisory Authority
[2]Regional Director
[3]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.
[4]NCUA's Office of Credit Union Resources and Expansion
[5]Office of Consumer Financial Protection

- Director of DTD
- Any office responsible for implementing a recommendation

If a postmortem involves a FISCU, the preparing office will provide the SSA the final postmortem in accordance with NCUA Instruction 13500.11, Information Sharing with State Supervisory Authorities. Signed information sharing MOUs with the SSAs can be found on NCUA Central.

Optional Postmortems

If a region or E&I voluntarily completes a postmortem outside the parameters required by the NSPM , it will distribute the postmortem in the same manner as a required postmortem. This will ensure recommendations are implemented. E&I, in consultation with a preparing region, will determine if a redacted postmortem will be released on an optional postmortem.

Redact

A preparing office must create a redacted version of a finalized postmortem within 60 days of distribution. Information that could be used to identify the subject credit union, credit union staff, and NCUA staff, are removed from a redacted postmortem. The preparing office will redact the following sections:

- Cover Page
- Purpose, Objectives, and Scope
- Executive Summary
- Background
- Observations and Lessons Learned
- Recommendations
- Corrective Action Taken

To create a redacted postmortem, a preparer will:

- Alter identifying information such as the name of the examiner, credit union, management, other staff, the region, etc.

- Assign a generic electronic file name that does not name the failed credit union, charter, or region (For example, ABC **FCU**[1], charter 99999)
- Remove appendices A and B
- Remove all metadata
- OGC will review redacted postmortems prepared by E&I

After a preparing office develops a redacted postmortem, it will send it to E&I for final review and distribution. E&I will clear any changes to a region's redacted postmortem with the region before distributing a PDF of the redacted postmortem (with a cover memo) to NCUA exam staff and posting it on E&I's NCUA Central Shared Reports site.

E&I will distribute all redacted postmortems in PDF format (with a cover memo) to SSAs in accordance with NCUA Instruction 13500.11, Information Sharing with State Supervisory Authorities. Signed information sharing MOUs with the SSAs can be found on NCUA Central.

After distributing the redacted postmortem, E&I will update the postmortem log available on E&I's NCUA Central Postmortem site.

Last updated on March 25, 2022

Implement Recommendations

Annually, **E&I**[2] will draft a summary of the postmortems completed the preceding year. The E&I Director will distribute the summary to the **ED**[3], the **RDs**[4], E&I staff, and all offices responsible for implementation.

The summary will highlight all recommendations, the office(s) responsible for carrying out recommendations, the status of the implementation, and the closure of the recommendation, if known.

Track Postmortem Completion

Besides maintaining a log of all postmortems, E&I will request information from the regions to complete and verify the accuracy of the summary postmortem report quarterly.

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[1]Federal credit union
[2]Office of Examination and Insurance
[3]Executive Director
[4]Regional Director

Monitoring and Reporting Postmortem	Frequency
Record failure	Within 30 days of failure
Monitoring timeframes for completion of postmortem	Quarterly
Recommendation follow-up	Annually

E&I will log the postmortem within 30 days of the date of failure and will update the log throughout the postmortem process as the status changes.

E&I will monitor the progress of the postmortem on a quarterly basis to ensure compliance with the timeframes outlined in this chapter. The E&I Director may waive completion of a regional postmortem and the ED may waiver completion of an E&I postmortem. The ED may also extend the timeframe for completion of a postmortem. Extensions or waivers will be documented through a memo that justifies the reason for waiver or extension (for example, to prioritize resources based on workload or because the expected value of the postmortem would be low compared to other projects).

Last updated on March 25, 2022

Credit Union Closure/Failure Reporting

Regions complete a credit union closure/failure questionnaire for **all** credit union closures and failures. The region who supervised the closing credit union should complete the closure/failure questionnaire. The questionnaire records a region's assessment as to why a credit union closed. The questionnaire should reflect the reason for closure based on objective facts. Staff should refrain from expressing opinions or making assumptions when completing the questionnaire. Regions will e-mail completed forms to E&I Mail or post them to the E&I SharePoint Post Office within 60 days of a credit union's closure.

All offices should adjust internal procedures as necessary to report credit union failures and failure dates in accordance with the NSPM

The following table outlines possible classifications for the various types of resolution. Classifications are mutually exclusive; a resolved credit union will only fall under one classification, though multiple possibilities are described in the table.

	Possible Classification		
Resolution	**Closure**	**No-Cost Failure**	**At-Cost Failure**
Voluntary merger - no waiver of membership vote	X	X	
Voluntary merger - NCUA waives membership vote		X	
Supervisory merger or combination (as defined by part 701 (Appendix B, Chapter 2, Section IV.D.2) or Section 702.2 (f)(3), Capital Adequacy, of the NCUA regulations)		X	X
Assisted merger			X
Voluntary liquidation	X	X	
Involuntary liquidation (with or without a P&A)		X	X

Closure Reporting

Credit unions merged or liquidated at no cost to the Share Insurance Fund and not directly involving the NCUA (other than approval of the transaction) are classified as closures. Following are examples of closures:

- Voluntary mergers that do not require the NCUA to verify that a supervisory concern exists, determine that the credit union is in danger of insolvency, or provide a waiver of the membership vote
- Voluntary liquidations that do not require the NCUA to determine that the credit union is in danger of insolvency

To standardize credit union failure reporting and ensure consistency in credit union failure data, the NCUA defines failure and failure date. All offices will use the definitions outlined in this section of the NSPM when reporting credit union failure data.

All offices should adjust internal procedures as necessary to ensure credit union failures and failure dates are reported in accordance with the NSPM. Spe-

cifically, the liquidation and merger dates entered in the NCUA's **MIS**[1] program must be consistent with the NSPM.

Failure Reporting

A failure occurs when a credit union is resolved through either a liquidation (with or without a purchase and assumption) or merger that requires direct agency involvement (other than merely approving the transaction).

Direct agency involvement includes, among other things, 208 assistance, waiver of membership vote, or selection of the continuing credit union. Recommending the merger or liquidation is not considered direct agency involvement.

Failures are at-cost or no-cost. The NCUA will include all failures when reporting failure data internally and externally. All other credit union closings are categorized as closures.

At-cost Failure

An at-cost failure involves an initial estimated or actual loss to the **NCUSIF**[2]. When a credit union is resolved through liquidation (with or without a purchase and assumption) or merger and there is an initial estimated or actual loss to the NCUSIF, it is an at-cost failure. Examples of at-cost failures include assisted mergers and involuntary liquidations (with or without a purchase and assumption) that require assistance from the NCUSIF.

A credit union will continue to be reported as an at-cost failure even if subsequent recoveries result in no net loss to the NCUSIF.

No-cost Failure

A no-cost failure is a failure that does not involve any loss to the NCUSIF. When a credit union is resolved at no cost to the NCUSIF through liquidation (with or without a purchase and assumption) or merger and the NCUA is directly involved (other than merely approving the transaction), it is a no-cost failure. Examples of no-cost failures include:

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[1]Management Information System

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

- A merger or purchase and assumption classified by the NCUA as an emergency merger where the acquired credit union is either insolvent or in danger of insolvency as defined in the Glossary of NCUA's regulations part 701, Appendix B, Chartering and Field of Membership Manual
- A merger or purchase and assumption that includes the NCUA's or the appropriate **SSA**[1]'s identification and selection of the continuing credit union (for example, if the credit union is in conservatorship)
- A merger where the NCUA has waived the membership vote
- A merger or combination that is classified as a "supervisory merger" as defined under either part 701, Appendix B, Chapter 2, section IV.D.2, of the NCUA's regulations and does not require assistance from the NCUSIF
- An involuntary liquidation of a solvent credit union that violates any provisions of its charter, bylaws, or other regulations (Title 1 liquidation). For example, this could occur under **PCA**[2] or with a state that allows for imminent insolvency of a state-chartered credit union

Typically, any resolution that requires direct NCUA involvement, but does not result in a loss to the NCUSIF, is considered a no-cost failure. A **DOR**[3] or other enforcement action recommending a credit union merge is not considered direct NCUA involvement. For the resolution to be categorized as a failure, the NCUA must be directly involved in some aspect of the resolution transaction (other than mere approval).

Failure Date

The failure date of record will depend on the type of resolution.

Resolution	Failure Date	Document Retention
Liquidation (straight liquidation or P&A)	The effective date of liquidation (date the Order of Liquidation is served by the **RD**[4], other NCUA representative, or SSA) The effective date will be included in all liquid-	Regions will forward copies of all signed Orders of Liquidation and

[1]State Supervisory Authority
[2]Prompt Corrective Action(s)
[3]Document of Resolution
[4]Regional Director

Resolution	Failure Date	Document Retention
	ation orders and documented in the Certificate of Service.	Certificates of Service to **E&I**[1] and **AMAC**[2] mailboxes.
Merger	The effective date contained in the merger agreement. All merger agreements will include an effective date. To ensure accurate reporting, if the effective date is delayed, the region will provide written notification of the new effective date to Credit Union Resources and Expansion and E&I.	Regions will forward copies of all executed merger agreements to the E&I mailbox.

Fraud Reporting

For more information about fraud, see the Dishonesty, Fraud, and Insider Dealings section of the NSPM.

Generally, fraud is present if a credit union employee or official knowingly misrepresents the truth or conceals a material fact to induce another to act to their detriment. This includes any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means.

There are two main categories of credit union fraud associated with credit union failures:

- **Fraudulent financial reporting**—most cases involve intentional misstatement of amounts on the balance sheet or income statement (for example, capitalizing amounts as fixed assets instead of recording amounts as expense)
- **Misappropriation of assets**—involves theft of an entity's assets. Misappropriation is normally used to refer to theft involving employees and others internal to the organization, and can include embezzlement

Regions will use the above description of fraud when completing a closure/failure questionnaire.

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[1]Office of Examination and Insurance
[2]Asset Management Assistance Center

Postmortem and CU Failure/Closing Reporting Templates

- Closure-Failure Questionnaire
- Postmortem Checklist Process
- Postmortem Interview Questions
- Postmortem Letter to **SSAs**[1]
- Postmortem Report Template

Last updated March 25, 2022

[1]State Supervisory Authority

Purchase and Assumption of Non-NCUA Insured Institutions

Section 205(b)(1) of the Federal Credit Union Act authorizes an **FCU**[1] to merge or consolidate with any non-insured institution (including banks) and to assume liability to pay any member accounts in any non-insured credit union or institution. In § 201(b), the Federal Credit Union Act establishes the required insurability of the acquired non-NCUA insured deposit customers.

NCUA regulation § 741.8 requires a **FICU**[2] to request approval from the **RD**[3] before purchasing loans or assuming deposits, shares, or liabilities from a non-federally insured credit union or other financial-type institution. **FISCUs**[4] must also comply with applicable **SSA**[5] requirements for approval of such a transaction before purchase.

Throughout this section of the NSPM, "non-NCUA insured institution" refers to transactions that involve other financial-type institutions as defined in § 741.8 (a)(2). This includes depository institutions, mortgage banks, consumer finance companies, insurance companies, loan brokers, and other loan sellers or liability traders. This section of the NSPM does not apply to purchases, mergers, or combinations that involve non-federally insured credit unions (§ 741.8(a)(1)). Those transactions are governed by § 741.8 and by regional procedures.

Job aids and templates for non-NCUA insured institution purchase and assumption or merger transactions are available.

NCUA staff will document the agency's review and assessment of risk associated with these transactions in its administrative record.

Regional Office Responsibilities

Regional office[6] staff should conduct sufficient due diligence of each non-NCUA-insured institution transaction to assess and communicate the risk

[1]Federal credit union
[2]Federally insured credit union
[3]Regional Director
[4]Federally insured, state-chartered credit union
[5]State Supervisory Authority
[6]"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.

associated with the transaction. The Onsite/Offsite Review Decision Matrix outlines the due diligence essential for each transaction. The regions must clearly document the reason for conducting an onsite or offsite review in the Bank Purchase and Assumption Merger Regional Summary.

Regional office staff will:

- Process FICU applications in accordance with the requirements outlined in this section of the NSPM
  - The Division of Supervision Bank Purchase and Assumption Transaction Checklist will assist regional office staff in organizing and processing the application.
- Review and acknowledge receipt of a FICU's application package using the Acknowledgment Letter and Agreement for Insurance Review Reimbursement template.
  - List any pertinent information still needed to continue processing the application.
  - Attach the Board Certification of Bank Transaction Related Costs form.
- Coordinate with other offices or agencies, as applicable, on the anticipated timeframe necessary to process the respective regulatory approvals or denials for the requested transaction
  - Banks will file an application with the **FDIC**[1] in accordance with Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), popularly known as the "Bank Merger Act"), and the FICU will concurrently file a purchase and assumption application with the NCUA; the FDIC will provide an approval or denial on the Bank Merger Act application.
    - For a federally chartered bank, the **OCC**[2] may provide a non-objection to the transaction.
    - For a state-chartered bank, the state banking agency or Federal Reserve Bank, as applicable, may also approve, deny,

[1]Federal Deposit Insurance Corporation
[2]Office of the Comptroller of the Currency

or non-object to the transaction.

- For a **FISCU**[1], the respective SSA will also approve or deny the transaction.

- Review the application package and use the Onsite/Offsite Review Decision Matrix to determine whether an onsite or offsite review is required
  - If the review type is discretionary, obtain the field supervisor's recommendation for an onsite or offsite review.
  - Once the review type is determined, send a Bank Purchase and Assumption Field Assignment Memo to the field requesting its evaluation and recommendation to approve or deny the application.
  - Situations may also exist where the region may choose to defer the application: the region may modify the Acknowledgment Letter and Agreement for Insurance Review Reimbursement to fit these specific situations.
- For an FCU, use the CURE Field of Membership Assessment Request to prepare a memo requesting a field of membership assessment to compare the non-NCUA insured institution's deposit customer base with the credit union's existing field of membership
  - The memo should explicitly state how the FCU intends to qualify bank customers for membership and detail the verification steps it will take to determine if they qualify.
  - Regions must allow **CURE**[2] 15 calendar days to review and process a field of membership request.
  - CURE will also provide general guidance on the field of membership.
  - For a FISCU, the respective SSA will determine the membership compatibility of the two institutions. Regional office staff should confirm compatibility with the SSA before processing the transaction.

[1]Federally insured, state-chartered credit union
[2]NCUA's Office of Credit Union Resources and Expansion

- As applicable, contact **OGC**[1] to obtain general legal guidance on issues that involve complex ownership structures such as holding company or mutual holding company ownership
- Coordinate with the FDIC case manager and other bank and/or state agencies to execute an Information Sharing Memorandum of Understanding and send the fully executed MOU to the respective agencies using Memorandum of Understanding Cover Letter – FDIC and/or Memorandum of Understanding Cover Letter – State
    - The OCC is typically not party to the Information Sharing MOU because the OCC has a regulation that stipulates it will share information with other agencies based on need in their official duties (12 CFR 4.37(c))
- Request the two most recent Reports of Examination from the primary regulatory agencies
    - Primary federal regulator or Federal Reserve Bank: use Request Most Recent Exam Reports From Bank Primary Federal Regulator.
    - FDIC and/or the Primary State Regulator: use Memorandum of Understanding Cover Letter - FDIC or Memorandum of Understanding Cover Letter - State in conjunction with executing the Information Sharing MOU.
    - In instances where the transaction is a single- or multiple-branch purchase, the primary regulator may not provide the two most recent exam reports to the NCUA. See Exam Staff Responsibilities for guidance on how to document a review in this situation.
- Consult with other financial institution regulators and obtain their final written approval, denial, objection, or non-objection of the transaction
- Recommend approval or denial of the requested purchase and assumption or merger transaction using the Regional Summary template

Process Approval or Denial

Regional offices must review and process the field's approval or denial recommendation within 30 calendar days of receipt of the field's completed due diligence review.

[1]NCUA's Office of General Counsel

- Prepare a concurrence package using Concurrence Package – Table of Contents for RD approval or denial of the transaction or recommendation of approval to other offices as outlined in the NCUA Delegations of Authority
- Obtain necessary concurrences in accordance with the NCUA Delegations of Authority
  - Concurrence Package – Table of Contents includes the required documentation for a package that requires **E&I**[1] concurrence and NCUA Board approval of the purchase and assumption or merger of a non-NCUA insured institution. Regions will:
    - Use the E&I Concurrence Memo – Bank Purchase and Assumption template to request E&I concurrence.
    - Allow 15 calendar days for E&I to review and concur.
    - Provide OGC a courtesy copy of each concurrence request.
  - Regions should notify OED for transactions that require NCUA Board approval using OED Request – Memo to OED Regarding Purchase and Assumption and summarize the proposed transaction using the OED Request Regional Director Notification – Board Briefing Summary.
  - Regions must follow the Board Secretary-issued instructions and due dates for transactions that require NCUA Board approval. Concurrence Package – Table of Contents outlines the information to include in a request for NCUA Board approval.
  - **RDs**[2] must submit a notice to the NCUA Board describing each transaction intended for approval within the RD's delegated authority.
    - Regions will use the Notice to the Board - Region's Approval of Purchase and Assumption Merger and OED Request Regional Director Notification – Board Briefing Summary templates, which outline the required information to include in a notice.
- If approved, draft approval correspondence for RD signature using the Final P & A Approval Letter and Insurance Review Fee Statement

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[1]Office of Examination and Insurance
[2]Regional Director

template and send to the FICU

  - Send a courtesy copy to EIMail@ncua.gov (E&I Mail) on all approval and denial letters that involve a FICU's purchase and assumption or merger of a non-NCUA insured institution to facilitate tracking of approvals and denials of transactions.
  - Attach pertinent certification of completion document to the approval correspondence (Certification of Completion Bank Merger[1] or Certification of Completion Bank Purchase and Assumption)

- If denied, draft denial correspondence for RD signature using the Final P&A Denial Letter and Insurance Review Fee Statement template and send to the FICU
- Request, receive, and monitor the FICU's payment of fees for application processing and any examiner onsite or offsite review time necessary to evaluate the prudence of the transaction
  - Use the Final P & A Approval Letter and Insurance Review Fee Statement or the Final P&A Denial Letter and Insurance Review Fee Statement to invoice the FICU for the examiners' time.
  - Include a copy of the FICU's signed Insurance Review Reimbursement form to document the FICU's prior agreement to pay these fees.
- Obtain completed certification documents and send a completion letter to the FICU using Completion Letter Bank Purchase and Assumption or Completion Letter Bank Merger
- Confirm the purchasing FICU has made final payment to the NCUA OCFO

Reporting

- Provide E&I a copy of the Bank Purchase and Assumption/Merger Transaction Log by June 30 and December 31 of each year
  - List all non-NCUA insured P&A and merger transaction applications and their respective disposition (approved, denied, withdrawn).

[1] A few state statutes allow for these bank-to-credit union transactions to be processed as mergers and consolidations of assets and liabilities.

Exam Staff Responsibilities

- Review the purchase and assumption or merger application package and work with **DOS**[1] to determine the level of due diligence (onsite or offsite) necessary to evaluate the safety and soundness of the transaction; determine the staffing resources and expertise necessary to conduct the review
    - Each region should coordinate the staffing and resources needed for the review of these transactions.
    - Regions may choose to coordinate the staffing similar to regional team exams.
- Review the FICU and non-NCUA insured institution's two most recent examination reports for existing safety and soundness concerns
    - In instances where a transaction is a single- or multiple-branch purchase, the primary regulator may not provide the two most recent exam reports to NCUA. When this occurs, the examiner should document what was reviewed to assess the safety and soundness of the transaction and the condition of the acquired assets and liabilities.
- Request items needed from the non-NCUA-insured institution to conduct due diligence over the transaction using the Insurance Review Notification and Items Requested List
    - Tailor the items needed to the operations of the non-NCUA insured institution and include any additional items on the items requested list as needed to expand the review to include risks relevant to the individual non-NCUA insured institution.
- Evaluate the FICU's ability to integrate the purchased institution into its operations, the economic impact to the FICU's performance, and the continued safety and soundness of the FICU after consolidation
- Assess FICU management's competence and ability to manage the combined entity

[1]Division of Supervision

Recommend Approval/Denial

- Draft a Bank Purchase and Assumption Merger Regional Summary that outlines the field's review, analysis, and recommendation to approve or deny the transaction
    - Recommendations for approval must include any conditions necessary to approve the transaction.
    - The field will not issue an exam report to a credit union. The field will use the Regional Summary as the internal document that summarizes the results of the review and supports the recommendation for approval or denial.
    - Regional Summaries should include, but are not limited to:
        - Analysis of impermissible activities, loans, deposits, investments, and off-balance-sheet items
        - Discussion of the FICU management's competence and ability to manage the combined entity
        - Chart that reflects the combined entity's material concentrations
        - Analysis of both regulatory compliance and safety and soundness
        - Analysis of any new products and services the FICU will acquire in the transaction and the FICU's plans to adequately service the new products or dispose of them
        - Discussion of the fair valuation analysis, goodwill, core deposit intangible, purchase price, and method the FICU will use to fund the transaction
        - For **FCUs**[1], a detailed description how the FCU intends to qualify acquired customers for membership and the verification process used to determine if they qualify for membership
- Provide the Regional Summary, supporting work papers, and Total Contact Hours from the MERIT Exam Form to the field supervisor for

[1]Federal credit union

review and approval or denial

  - The Field **Supervisor**[1] will provide the Regional Summary and supporting work papers to the Regional Office.

- Close a 4.5 MERIT file associated with the review of the transaction

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Last updated October 26, 2022

E&I Responsibilities

- Review the region's request for concurrence within 15 calendar days of receipt of a complete concurrence package. Evaluate whether the transaction poses undue risk to the **NCUSIF**[2]
- Provide the region with the E&I Director's concurrence or non-concurrence using E&I Concurrence Non-concurrence Memo for the transaction
  - Include Division of Risk Management Review Comments.
- Track non-NCUA-insured institution transactions and analyze trends
- Provide **PRA**[3] and **FOIA**[4] information when requested by OGC
- Provide periodic purchase premium information to the regions
- Review and aggregate regional approval and denial information bi-annually

OGC Responsibilities

- Review proposed transactions upon request by an RD
- Assist regions, NCUA offices, and the NCUA Board regarding proposed transactions

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[1]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.).

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

[3]Public Records Act

[4]Freedom of Information Act

CURE Responsibilities

- Review the region's request for a Field of Membership Assessment of the FCU and the non-NCUA insured institution within 15 calendar days of receipt of the request
- Review the process by which the non-NCUA insured institution's customers will become FCU members to comply with the Federal Credit Union Bylaws and other regulations
- Provide guidance to both the region and the purchasing FCU regarding actions necessary to comply with applicable regulations

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Last updated January 4, 2021

Purchase and Assumption of Non-NCUA Insured Institutions Templates and Job Aids

- Division of Supervision Bank Purchase and Assumption Transaction Checklist (Job Aid)
- Onsite/Offsite Review Decision Matrix (Job Aid)
- Acknowledgment Letter and Agreement for Insurance Review Reimbursement
- Board Certification of Bank Transaction Related Costs
- **CURE**[1] Field of Membership Assessment Request
- Memorandum of Understanding Cover Letter – **FDIC**[2]
- Memorandum of Understanding Cover Letter – State
- Information Sharing Memorandum of Understanding
- Request Most Recent Exam Reports From Bank Primary Federal Regulator
- Bank Purchase and Assumption Field Assignment Memo
- Insurance Review Notification and Items Requested List

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[1]NCUA's Office of Credit Union Resources and Expansion
[2]Federal Deposit Insurance Corporation

- Bank Purchase and Assumption Merger Regional Summary
- **E&I**[1] Concurrence Memo – Bank Purchase and Assumption
- Concurrence Package – Table of Contents
- OED Request – Memo to OED Regarding Purchase and Assumption
- OED Request Regional Director Notification – Board Briefing Summary
- Notice to the Board - Region's Approval of Purchase and Assumption Merger
- Final P & A Approval Letter and Insurance Review Fee Statement
- Final P & A Denial Letter and Insurance Review Fee Statement
- Certification of Completion Bank Purchase and Assumption
- Certification of Completion Bank Merger
- Completion Letter Bank Purchase and Assumption
- Completion Letter Bank Merger
- E&I Concurrence Non-concurrence Memo
- Division of Risk Management Review Comments
- Bank Purchase and Assumption/Merger Transaction Log

Last updated January 4, 2021

[1]Office of Examination and Insurance

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Quality Assurance Roles and Responsibilities

Examiner Responsibilities

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Supervisor Responsibilities

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Division of Supervision Responsibilities

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Last updated October 26, 2022

Regional Director Responsibilities

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E&I Responsibilities

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Last updated June 23, 2023

Quality Assurance Templates

- Specialist feedback form

Last updated March 5, 2019

[1] [redacted]
[2] [redacted]

Regulatory Waivers and other Regulatory Actions

The NCUA applies federal statutes, regulations, and directives to achieve strategic goals and ensure uniformity in application of supervision standards. Regulatory waivers afford flexibility in instances where specific criteria are satisfied. The NCUA processes waiver requests in accordance with regulatory requirements and internal directives.

This section of the NSPM establishes national policy NCUA staff follow when completing work assignments and examination and supervision of regulatory related waivers and other regulatory related actions; it is not inclusive of all types of waivers. **E&I**[1] will update the NSPM when the NCUA Board adopts a new regulation or revises an existing regulation. **Examiners**[2] should contact their supervisor for assistance outside the scope of this section of the NSPM.

- Occupancy Waiver
- Earnings Retention Waiver
- Loan Participation Waiver
- Subordinated Debt

Last updated April 29, 2022

Roles and Responsibilities

E&I

E&I[3] 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 peri-

[1]Office of Examination and Insurance

[2]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.).

[3]Office of Examination and Insurance

odic updates of the NSPM, E&I will solicit comments from other offices to ensure standards remain current and effective.

Regional Office

Regional offices are responsible for having systems and controls in place to ensure standards of this section are met. When reviewing work related to the standards of this section, regional processes must ensure quality work and accurate administrative records are maintained for regulatory related actions. **DOS**[1] is responsible for monitoring risk institutionally and on a regional basis.

Supervisor

Supervisors are responsible for reviewing and ensuring staff performs quality work which follows the standards of this section of the NSPM. Supervisors are responsible for reviewing and approving work for completeness and accuracy before submission to the regional office. **Supervisor**[2] approval becomes part of the credit union's administrative record. Supervisors are responsible for monitoring risk institutionally and on a group basis.

Exam Staff

Examiners[3] 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.

Last updated July 29, 2015

[1]Division of Supervision

[2]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.).

[3]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.).

Processing a Waiver Request

In general, the following procedures will be used to process a waiver request from a **FCU**[1]. Please refer to each specific waiver type outlined in this section of the NSPM for unique processing steps.

1. Initial Review (DOS)

After the regional office receives the credit union's application, **DOS**[2] will perform a cursory review to determine whether the credit union request is complete.

If considered incomplete:

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

If considered complete:

- Prepare an acknowledgment letter and send it to the credit union by the region's preferred expedited mail delivery service
- Prepare and send a work assignment to the field that includes the credit union's request, application package, supporting documentation, and request a recommendation for approval or denial

Review Credit Union and Application (Exam Staff)

Examiners[3] and their supervisor will evaluate the credit union's net worth, CAMELS 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.

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[1]Federal credit union

[2]Division of Supervision

[3]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.).

After review, examiners will determine if the waiver package is complete, and take the following actions, based on their determination.

If considered incomplete:

- Draft the appropriate incomplete/denial letter (refer to templates provided), or
- Informally contact the credit union to obtain the missing information

If considered complete:

- Complete a Regional Summary to include an approval or denial recommendation
- Draft a letter for approval, partial approval, deferral, or denial
- Email the approval, partial approval, deferral, or denial letter, Regional Summary, and any supporting documentation to their supervisor

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

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

Process Application (DOS)

Upon receipt of the field's recommendation, DOS will review and analyze the recommendation for appropriate support and justification. Upon concurrence, DOS will submit the recommendation and proposed response letter to the Regional Director for approval and signature. DOS will mail the signed letter to the credit union using the region's preferred expedited mail delivery service and copy both the examiner and supervisor.

If DOS and/or the Regional Director do not agree with the field's recommendation, the supervisor will be notified of the reasons. The field will be given the opportunity to further support or revise their recommendation in the Regional Summary and draft revised correspondence, if necessary. DOS finalizes the response letter for the Regional Director's signature. Once signed, DOS will mail it to the credit union using the region's preferred expedited mail delivery service and copy both the examiner and supervisor.

Last updated July 29, 2015

Processing a Waiver Request from a FISCU

Unless otherwise specified by regulation, a **FISCU**[1] must submit the waiver request to its **SSA**[2]. If the SSA approves the request, the SSA will forward the request to the Regional Director. A waiver is not effective until approved by the Regional Director. If the SSA denies a request, the Regional Director will also deny it.

> Section 741.204 of the NCUA regulations applies to **FISCUs**[3] and incorporates the § 701.32 requirements.

Last updated July 29, 2015

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.

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	None	No

[1]Federally insured, state-chartered credit union
[2]State Supervisory Authority
[3]Federally insured, state-chartered credit union

Reference	Description	Timeframe	Automatic Approval
	any vehicle loan, or any interest in a vehicle loan, serviced by a third-party servicer if the aggregate amount of vehicle loans and interests in vehicle loans serviced by that third-party servicer and its affiliates would exceed: (i) 50 percent of the credit union's net worth during the initial thirty months of that third-party servicing relationship; or (ii) 100 percent of the credit union's net worth after the initial thirty months 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.		

Reference	Description	Timeframe	Automatic Approval
§ 701.36, Occupancy waiver	The NCUA may waive the requirement for a credit union to partially occupy premises within six years after the date of acquisition. Partially occupy means occupation and use, on a full-time basis, of at least fifty percent of each premises by the **FCU**[1], or the FCU and a **CUSO**[2] in which the FCU has a controlling interest. To seek a waiver, a FCU 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	The NCUA may waive the requirement for a credit	**RD**[3] response within 45 days	No

[1]Federal credit union
[2]Credit union service organization
[3]Regional Director

Reference	Description	Timeframe	Automatic Approval
	union to dispose of abandoned property within five years of abandonment. To seek a waiver, a FCU 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.		
§ 701.32(b)(3), Non-member deposits waiver	The NCUA may approve a maximum amount of non-member shares in excess of 20% of total shares or $3 million (whichever is greater). Before accepting non-member shares in excess of the maximum amount, the credit union board of directors must adopt a specific written plan concerning the intended use of these shares and forward a copy of the plan to the	RD response within 30 calendar days Unless otherwise specified by the RD, exemptions are normally for a two-year period.	No

Reference	Description	Timeframe	Automatic Approval
	Regional Director for determination.		
§ 701.22(c), Loan participation waiver	The NCUA may approve a waiver from internal policy requirements concerning loan participation purchases. To seek a waiver, the credit union must submit a written request to its Regional Director. Waivers from federally insured state-chartered credit unions required concurrence of the appropriate **SSA**[1].	RD response within 45 calendar days	No

Last updated December 4, 2019

Periodic Review and Revocation of Waivers

Examiners[2] will review outstanding regulatory waivers at every examination. Regions will review outstanding regulatory waivers every three years.[3] 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

[1]State Supervisory Authority

[2]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.).

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

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**[1] mailbox. The memo will include a discussion of:

- Background of the credit union and the problems
- Substantive safety and soundness justification
- Net worth and solvency considerations
- Outstanding administrative and/or documented corrective action

DOS will review the recommendation. If in agreement, DOS will prepare a concurrence summary to the Regional Director along with the field memo and draft letter. Upon signature, the revocation letter will be sent via expedited mail with a copy to the examiner and supervisor, and **SSA**[2] 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**[3] 11-1, Supervisory Review Committee (as amended by IRPS 12-1).

Last updated July 29, 2015

Waiver Monitoring

DOS[4] and **E&I**[5] 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
[2]State Supervisory Authority
[3]Interpretive Ruling and Policy Statements are issued by NCUA's Office of General Counsel.
[4]Division of Supervision
[5]Office of Examination and Insurance

1. DOS Reporting Responsibilities

- DOS will maintain supporting documentation for each approval/denial in the corresponding charter files.
- Regions will maintain reports that will track all regulatory waivers.[1]
- Regions will submit a list of the waivers granted, revoked, and outstanding to E&I on a semiannual basis.[2] At a minimum, listings will include:
  - Charter
  - Name
  - Assets
  - CAMELS rating (composite and component ratings)
  - Type of action
  - Action date
  - Resolution date (where applicable)
  - Status, expiration date (where applicable)
  - Comments
- Regions will provide a posting of all outstanding regulatory waivers on SharePoint and implement a process to review regulatory waivers every three years.

E&I Reporting Responsibilities

- Review regional activity on a semiannual basis as a means of tracking regional and national trends for consistency and policy development
- Issue an annual national summary of the regional reports analyzing national trends
- 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

Last updated July 29, 2015

[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.

Earnings Retention Waiver

Sections 702.106 and 702.203 of the NCUA's regulations address earnings retention requirements for credit unions subject to **PCA**[1].

Last updated October 26, 2022

Earnings Retention

Beginning the effective date of classification as "adequately capitalized" or lower (less than 7 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. This earnings retention requirement is in place until the credit union becomes "well capitalized." New credit unions must also increase their net worth quarterly, but by the amount reflected in their approved initial or **RBP**[2]. Without such a plan, a new credit union must increase their net worth quarterly pursuant to 702.106.

There is always a quarter lag between when a credit union becomes less than well capitalized and when it must meet the earnings retention requirements. For example: XYZ Credit Union's net worth category declined to "adequately capitalized" as of March 31, and is not required to meet the earnings requirement 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 must:

- Increase its net worth quarterly;
- Request a reduction in its earnings retention requirement if it projects it will not meet them each quarter; and
- Request approval to pay dividends and interest refunds if their payment will cause the credit union's capital classification to fall below "adequately capitalized."

Last updated October 26, 2022

[1]Prompt Corrective Action(s)
[2]Revised Business Plan

Reduction of the Earnings Retention Requirement

If it cannot meet the earnings requirement, a credit union must submit a written request to the region seeking approval to reduce the amount of earnings retention no later than 14 days before the quarter-end. **Examiners**[1] should recognize 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**[2]" 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 lack this basic information will not be processed.

Exam staff 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 §702.106).

> The Regional Director may also approve the reduction in earnings retention during the review and approval process for a **NWRP**[3]. 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 retention is also approved. However, if a credit union originally projected their earnings will be sufficient in its plan and then subsequently fails to meet the requirements, the appropriate request for approval must be submitted within the timeframe noted above.

In the case of a state-chartered credit union, the supervisor will request concurrence through phone or e-mail from the appropriate **SSA**[4]. The SSA will

[1]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.).
[2]Prompt Corrective Action(s)
[3]Net Worth Restoration Plan(s)
[4]State Supervisory Authority

also be copied on the Regional Director's letter to officials approving or denying the request. Exam staff will note whether the SSA concurs with approval or denial for **FISCUs**[1] in the Regional Summary.

Regional Office Review

DOS[2] will determine the proper level of controls for monitoring earnings retention waivers. Monitoring may occur through reviewing risk reports. The regions may have procedures in place to identify credit unions not meeting the regulation, or in the case of credit unions operating under **NWRPs**[3], their approved NWRP.

Last updated October 26, 2022

Loan Participation Waiver

Section 701.22(b)(5) of the NCUA regulations establishes single originator and single borrower concentration limits for federally insured credit unions. Section 701.22(c) permits federally insured credit unions to request a waiver of these limitations from the appropriate Regional Director.

In addition to the information provided in this manual, examiners will reference Supervisory Letter 13-04, Supervision Guidance on Loan Participation Waivers, when reviewing waiver requests under § 701.22(c). The supervisory letter was also issued under Letter to Credit Unions 13-**CU**[4]-07, Loan Participation Waivers.

Exam Staff Responsibilities

Examiners[5] 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

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[1]Federally insured, state-chartered credit union

[2]Division of Supervision

[3]Net Worth Restoration Plan(s)

[4]Credit union; credit unions

[5]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.).

program and the credit union's current business strategy should be given. If the waiver is complex, the examiner and/or supervisor should consider seeking assistance from an **RLS**[1] who may be able to offer additional support for concurrence or denial.

Last updated July 29, 2015

Occupancy Waiver

Excess space is only acceptable when a **FCU**[2] bases a purchase on future needs as outlined in § 701.36 of the NCUA's regulations.

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 6 years after the date of acquiring the premises.

Partially occupy means occupation and use, on a full-time basis, of at least fifty percent of each premises by the FCU, or the FCU and a **CUSO**[3] in which theFCU has a controlling interest. An FCU must submit a written request for a waiver from the partial occupancy provision or to exceed the 6 year timeframe.

Abandoned Property

After premises have been abandoned for four years, an FCU must publicly advertise the property for sale. The FCU must complete the sale within 5 years of abandonment, unless the NCUA waives this requirement.

To seek a waiver of the either the partial occupancy requirement or disposal of abandoned property, an FCU must submit a written request to its regional office that fully explains why the FCU needs such a waiver. The **RD**[4] 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 RD will provide the FCU a written response, either approving or denying the waiver request, within 45 days of the completed request.

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[1]Regional Lending Specialist
[2]Federal credit union
[3]Credit union service organization
[4]Regional Director

Last updated March 24, 2017

Subordinated Debt

Subordinated Debt is a borrowing transaction that meets the requirements of the NCUA regulations part 702, Subpart D - Subordinated Debt, Grandfathered Secondary Capital, and Regulatory Capital andis subordinated to all other claims against a credit union.

Subordinated Debt may count as regulatory capital for eligible credit unions to achieve or maintain a prudent level of capitalization more quickly than may be possible through building retained earnings. Subordinated Debt can also enable eligible credit unions to expand lending and other services to underserved communities, and can serve as a basis for a credit union to grow and achieve better economies of scale.

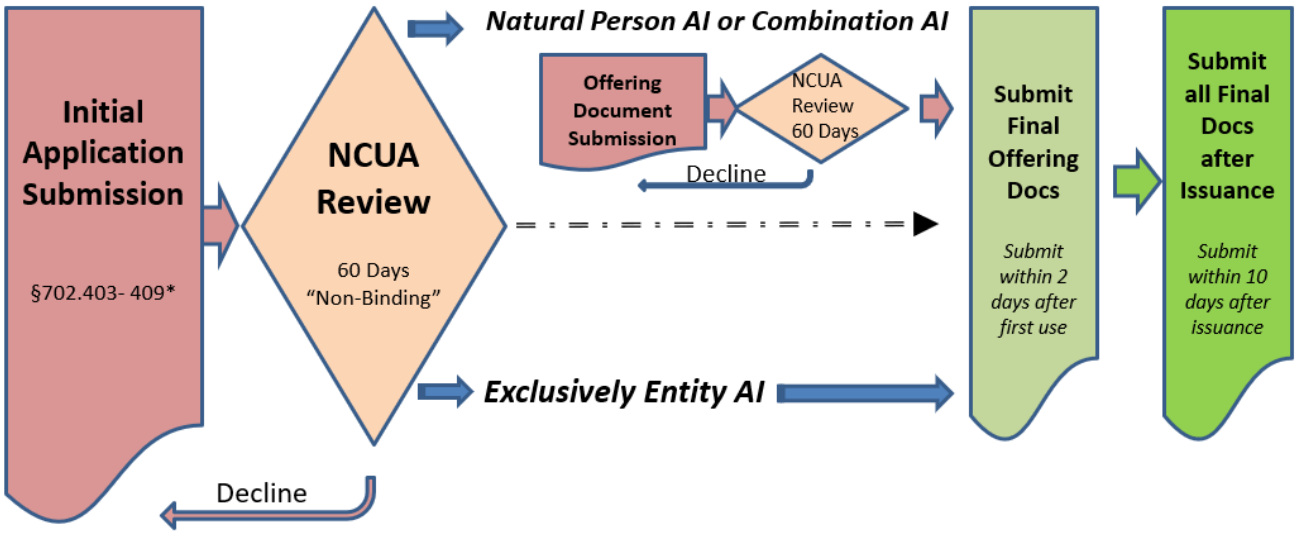
The final Subordinated Debt rule addresses both Grandfathered Secondary Capital (issued before December 31, 2021 unless part of the ECIP program) and Subordinated Debt issued under the new rules starting in 2022. Previous NCUA regulations for Secondary Capital have been reorganized from § 701.34 to § 702.414

There were several new and revised NCUA regulations that were effective on January 1, 2022, related to Subordinated Debt. The more significant items are as follows:

1. Section 701.25, Loans to Credit Unions, a new rule on requirements of a credit union in making loans and investments to other credit unions. This requirement is applicable to **FISCUs**[1] via § 741.227, Loans to Credit Unions;
2. Section 701.38 Borrowed funds , Borrowed funds from natural persons; § 741.226, Subordinated Debt;
3. Part 702, Subpart D - Subordinated Debt, Grandfathered Secondary Capital, and Regulatory Capital, allow federally insured low-income designated credit unions, complex credit unions as defined in § 702.103 Applicability of risk-based capital measures, or new credit unions to issue Subordinated Debt treated as regulatory capital (Subordinated Debt) to accredited investors, subject to certain conditions (see Required Information).

[1]Federally insured, state-chartered credit union

There are several requirements and approvals before a credit union can issue Subordinated Debt. Foremost, but not limited to, is that Subordinated Debt may only be offered to accredited investors, as defined by the **SEC**[1] in § 230.501, Definitions and terms used in Regulation D. The regulation also requires all eligible credit unions to receive written preapproval from the NCUA before issuing Subordinated Debt. The flowchart below illustrates the application and approval process.



* FISCUs need concurrence from SSA

Last updated on April 29, 2022

[1]Securities and Exchange Commission

Subordinated Debt Plans

To be eligible to issue Subordinated debt, a credit union must meet the criteria established in § 702.403, Eligibility. Before issuing any Subordinated Debt, an eligible credit union must first submit an initial application to the Regional Office that complies with § 702.408, Preapproval to issue Subordinated Debt. A **FISCU**[1] must submit the information required under § 702.408 to both the Regional Office and its **SSA**[2], as per § 702.409, Preapproval for federally insured, state-chartered credit unions to issue Subordinated Debt.

Required Information

Each Subordinated Debt application must meet the regulatory requirements outlined in § 702.408(b), Initial application to issue Subordinated Debt.

Approval Timeframe

Within 60 calendar days (which may be extended by the Regional Office) after the date of receipt of a complete application, the Regional Office will provide the credit union with a written determination on its application. An application for approval to issue Subordinated Debt is not automatically approved if the Regional Office does not respond within the 60 calendar days. If there is a full or partial denial, or conditional approval, the written decision will state the reasons for the denial or conditional approval.

DOS Initial Responsibilities

Within five calendar days of the regional office receiving an application, **DOS**[3] will review to determine whether the Subordinated Debt application meets the minimum regulatory requirements.

> For **FISCUs**[4], DOS should contact the applying FISCU's SSA to verify they have also received the application and to determine if the state permits FISCUs to issue Subordinated Debt.

[1]Federally insured, state-chartered credit union
[2]State Supervisory Authority
[3]Division of Supervision
[4]Federally insured, state-chartered credit union

If an application does not address the required elements of § 702.408(b), Initial application to issue Subordinated Debt , or the proposed Subordinated Debt does not meet regulatory requirements, DOS will:

- Contact the credit union to obtain the missing information, or prepare an incomplete or denial letter and send it to the credit union.
    - Use the Respond to Incomplete Proposed Subordinated Debt Applicationto let the credit union know the application is incomplete and being deferred. Be sure the letter lists the required information the credit union must submit for the region to reconsider the application
    - Use the Deny Subordinated Debt Application template if the **RD**[1] opts to deny the plan. Be sure the letter lists the deficiencies in the Subordinated Debt application.

DOS will copy the credit union **CEO**[2], examiner, supervisory examiner, and SSA, if applicable, on the above letters.

If an application addresses the required elements of § 702.408(b), Initial application to issue Subordinated Debt , and the proposed Subordinated Debt application meets regulatory requirements, DOS will:

- Prepare and send an acknowledgment letter to the credit union (for a FISCU, DOS will copy the SSA on the letter)
- Prepare and send a work assignment to the field that includes the credit union's request, the application, supporting documentation, and requests a recommendation for approval or denial

Exam Staff Review Responsibilities

Examiners[3], their supervisor, and, when appropriate, Regional Capital Markets Specialists, will evaluate a credit union's application. In evaluating the application, **exam staff**[4] will:

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[1]Regional Director

[2]Chief Executive Officer

[3]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.).

[4]"exam 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.

- Complete applicable tabs of the Subordinated Debt Questionnaire
  - Exam staff may not ask credit union officials or employees to complete the questionnaire, which is strictly for NCUA exam staff use as a guide when reviewing Subordinated Debt applications
- If needed, contact the credit union to conduct an interview with management (exam staff may use the Subordinated Debt Questionnaireas a conversation guide)
- Complete a Regional Summary to include an approval or denial recommendation
- Draft a letter to approve or deny the proposed application using the appropriate template
  - A letter informing the credit union of denial must identify required documentation under § 702.408(b), Initial application to issue Subordinated Debt, that is missing or insufficient
  - The denial letter must address any related unsafe and unsound condition(s), including why the condition is considered unsafe and unsound
  - Denial letters should not instruct a credit union to resubmit the application
  - Incomplete application letters will list items the credit union needs to submit for the Regional Director to reconsider their request
- Email the approval, denial, or incomplete application letter, the Regional Summary, and any supporting documentation to their supervisor

The field supervisor will review the information, provide supporting reasons for concurrence or non-concurrence, and forward the package to the region's DOS mailbox.

DOS Processing and Review Responsibilities

Upon receiving an examiner's recommendation, DOS will review and analyze the recommendation for appropriate support and justification.

If DOS and/or the RD disagree with the recommendation, the reasons for the different conclusion will be discussed with the field supervisor. The field will

have an opportunity to further support or revise their recommendation. Regions may consult with **E&I**[1] during the review process.

> **RDs**[2] have the authority to approve Subordinated Debt and should use the Approve Subordinated Debt Application or the Approve Subordinated Debt Application with Contingency template in developing the approval letter. E&I is available for consultation on the rule requirements.

DOS finalizes the response letter for the RD's signature:

- **Federal Credit Unions**—DOS sends the response letter directly to the credit union
- **Federally Insured State Chartered Credit Unions**—DOS sends the response letter directly to the SSA and credit union

Regional Director Responsibilities

RDs will only approve subordinated debt applications if:

- All information required under § 702.408(b), Initial application to issue Subordinated Debt , was included in the application or provided as support
- The proposed Subordinated Debt, and all other actions outlined in the application (for example, lending and borrowing), comply with applicable regulatory requirements
- The acceptance and use of the Subordinated Debt does not create an unsafe and unsound condition
- For FISCUs, the SSA has provided concurrencefor the application, per NCUA regulation § 702.409, Preapproval for federally insured, state-chartered credit unions to issue Subordinated Debt, for the RD to approve the application

Last updated on April 29, 2022

[1]Office of Examination and Insurance
[2]Regional Director

Subordinated Debt Offering Documents

Offering Documents are documents used to offer and sell Subordinated Debt Notes. After the issuing credit union receives written approval of its initial application, it prepares an Offering Document for each issuance of Subordinated Debt Notes. Before an issuing credit union can offer Subordinated Debt Notes to a Natural Person Accredited Investor, the NCUA must approve the related Offering Document (regions may consult with **E&I**[1] and **OGC**[2]).

A credit union may only offer, issue and sell Subordinated Debt to Accredited Investors. Before the offer of any Subordinated Debt Note, the credit union must receive a signed, unambiguous certification from any potential investor (see § 702.406(c), Accredited Investors, for details)

The issuing credit union must provide each investor the Offering Document before issuing or selling Subordinated Debt Notes. All Offering Documents must be filed with the NCUA within two business days after their respective first use.

Subordinated Debt and Subordinated Debt Note Requirements

At a minimum, the Subordinated Debt or Subordinated Debt Note issued by an eligible credit union must meet various regulatory requirements in NCUA regulation § 702.404, Requirements of the Subordinated Debt and Subordinated Debt Note. This regulation addresses the following requirements:

- § 702.404(a) minimum requirements
- § 702.404(b) restrictions
- § 702.404(c) negative covenants
- § 702.404(d) default covenants
- § 702.404(e) minimum denominations of issuances to Natural Person Accredited Investors

For Subordinated Debt Note disclosure requirements, please review NCUA regulation § 702.405, Disclosures.

[1]Office of Examination and Insurance
[2]NCUA's Office of General Counsel

Required Information for all Offerings

NCUA regulation § 702.408(e)(1), Requirements for all Offering Documents, contains the information required in an Offering Document.

Approval Timeframe for Natural Person Accredited Investor Offering Documents

The Regional Office will notify the credit union in writing of its decision within 60 calendar days of receipt of the filing. The Regional Director may extend the timeframe, if needed. The written determination will include any requests for additional information, clarifications, or amendments, or a statement that the Offering Document is "approved for use."

An Issuing Credit Union that is offering Subordinated Debt exclusively to Entity Accredited Investors is not required to have its Offering Document approved for use by the NCUA before using it to offer and sell Subordinated Debt Notes. The Issuing Credit Union, however, must submit a copy of each of its Offering Documents to the NCUA within two business days after their respective first use. The approval letter to issue Subordinated Debt will remind the credit union to provide the appropriate supervision office final offering documents no later than 10 business days of a Subordinated Debt Note issuance and sale.

DOS Initial Responsibilities

DOS[1] will perform a preliminary review within five calendar days of the regional office receiving the Natural Person Accredited Investor Offering Document. This review determines whether the request meets the minimum requirements of NCUA regulation §§ 702.408(e) and (f), Requirements for all Offering Documents. DOS will complete the applicable tab in the Subordinated Debt Questionnaire to determine whether the Offering Document is complete.

If the Offering Document is considered incomplete, DOS will:

- Contact the credit union to obtain the missing information, or
- Prepare an incomplete or denial letter and send it to the credit union and copy the examiner, supervisory examiner
    - Use the Respond to Incomplete Natural Person Accredited Investor Offering Document template if the **RD**[2] opts to defer the request

[1]Division of Supervision
[2]Regional Director

- Ensure the letter lists the required information the credit union must submit for the region to reconsider the document
- Use the Offering Document not "Approved for Use" template if the RD opts to not approve the document and indicate in the letter why the document is not approved

If the Offering Document is considered complete, DOS will:

- Prepare and send an acknowledgment letter to the credit union (for **FISCUs**[1], DOS will copy the **SSA**[2] on the letter)
- Email OGC and E&I to obtain assistance, as applicable
- Notify Exam Staff of the receipt of Offering Documents and forward them a copy

DOS Processing and Review Responsibilities

Upon review, DOS will recommend whether the Operating Document should be "approved for use" based on appropriate support and justification.

DOS must notify Exam Staff of the proposed decision before finalizing the response letter for the RD's signature. Any **exam staff**[3] objections must be discussed with the regional director and DOS staff. For **FCUs**[4], DOS will send the signed letter to the credit union and copy both the examiner and supervisor.

For FISCUs, DOS will consult with the applicable SSA before issuing a decision to "approve for use" a **FISCU**[5]'s Offering Document. The SSA will be courtesy copied on the decision letter to the FISCU.

Last updated on April 29, 2022

Subordinated Debt Prepayments

An Issuing Credit Union may include an option that allows the Issuing Credit Union to prepay the Subordinated Debt in whole or in part before maturity in the terms of its Subordinated Debt. The Issuing Credit Union must submit a

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[1]Federally insured, state-chartered credit union

[2]State Supervisory Authority

[3]"exam 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.

[4]Federal credit union

[5]Federally insured, state-chartered credit union

written request to prepay subordinated debt to the **RD**[1] for approval. Under NCUA regulation § 702.411(c) Federally insured, state-chartered credit union prepayment applications, a **FISCU**[2] must receive written approval from its **SSA**[3] before it submits an application to the Region. The Region will then approve or deny the request.

Required Information

NCUA regulation § 702.411(d), Prior written approval to prepay Subordinated Debt, contains the minimum application requirements to prepay subordinated debt. The request to redeem Subordinated Debt may be approved in whole or in part.

Approval Timeframe

The Regional Director, as applicable, will issue a written decision within 45 calendar days after receiving a complete application. The regional office may extend this timeframe. In the case of a full or partial denial, including a conditional approval, the written decision will state the reasons for the denial or conditional approval.

DOS Initial Responsibilities

DOS[4] will perform a preliminary review within five calendar days of the regional office receiving the Subordinated Debt Prepayment application. This review determines whether the request meets the minimum requirements of § 702.411(d), Prior written approval to prepay Subordinated Debt .

If the Subordinated Debt Prepayment application is considered incomplete, DOS will:

- For **FCUs**[5], contact the credit union to obtain the missing information, or
    - Prepare an incomplete or denial letter and send it to the credit union and copy the examiner, supervisory examiner
- For FISCU applications, consult with the SSA before sending the incomplete or denial letter since the FISCU should have received the SSA's

[1]Regional Director
[2]Federally insured, state-chartered credit union
[3]State Supervisory Authority
[4]Division of Supervision
[5]Federal credit union

approval before submitting its application to the NCUA

- Use the Respond to Incomplete Proposed Subordinated Debt Prepayment template if the RD opts to defer the request
- Ensure the letter lists the required information the credit union must submit for the region to reconsider the plan
- Use the Deny Subordinated Debt Prepayment template if the RD opts to deny the plan and include reasons for denial in the letter

If the Subordinated Debt Prepayment application is considered complete, DOS will:

- Prepare and send an acknowledgment letter to the credit union (for **FISCUs**[1], DOS will copy the SSA on the letter)
- Prepare and send a work assignment to the field that includes the credit union's request, the Subordinated Debt Prepayment application, supporting documentation, and request for a recommendation for approval or denial

Exam Staff Review Responsibilities

If assigned, the examiner will evaluate the credit union's Subordinated Debt Prepayment request. After evaluating the Subordinated Debt Prepayment request, the examiner will:

- Complete the applicable tab of the Subordinated Debt Questionnaire
- Complete a Regional Summary to include an approval or denial recommendation
- Draft a letter to approve (or partially approve) or deny the request using the appropriate template
- Approve Request to Prepay Subordinated Debt
- Deny Request to Prepay Subordinated Debt
- Email the letter, the Regional Summary, and any supporting documentation to their supervisor

[1]Federally insured, state-chartered credit union

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

DOS Processing and Review Responsibilities

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

If DOS and/or the RD disagree with the field recommendation, the reasons for the different conclusion will be discussed with the field supervisor. The field will have an opportunity to further support or revise their recommendation.

DOS finalizes the response letter for the RD's signature. For FCUs, DOS will send the signed letter to the credit union and copy both the examiner and supervisor.

For FISCUs, DOS will send a letter with the RD's decision to both the SSA and the credit union.

Last updated on April 29, 2022

Grandfathered Secondary Capital Redemptions

The board of directors of a **LICU**[1] may submit a written request to redeem, or pay back, grandfathered secondary capital that is no longer recognized as Net Worth to the **RD**[2] for approval.

NCUA regulation § 702.414(c), Regulations governing Grandfathered Secondary Capital, outlines the minimum requirements to redeem grandfathered secondary capital.

The request to redeem discounted secondary capital may be approved in whole or in part.

Required Information

The **DSCR**[3] 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 NCUA regulation § 702.414(c)(1), Request to redeem secondary capital.

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[1]Low-income credit union
[2]Regional Director
[3]Documented Secondary CAMELS Review

Credit unions may only redeem grandfathered secondary capital that is not recognized as net worth under NCUA regulation § 702.414(c)(3) Schedule for redeeming secondary capital, and in accordance with the remaining maturity schedule.

Approval Timeframe

If a LICU is not notified of approval or denial within 45 days of NCUA receiving its request for approval to redeem, it may proceed to redeem grandfathered secondary capital as proposed.

DOS Initial Responsibilities

DOS[1] will perform a preliminary review within five business days of the regional office receiving the DSCR request to determine whether the request meets the minimum requirements of NCUA regulation § 702.414(c)(1), Request to redeem secondary capital.

If the DSCR request is considered incomplete, DOS will:

- Contact the credit union to obtain the missing information, or
- Prepare an incomplete or denial letter and send it to the credit union and copy the examiner, supervisory examiner, and **SSA**[2] (if applicable)on the letter
    - Use the Respond to Incomplete Proposed Grandfathered Secondary Capital Redemption template if the RD opts to defer the request
    - Verify the letter contains the required information the credit union must submit for the region to reconsider the plan
    - Use the Deny Grandfathered Secondary Capital Redemption template if the RD opts to deny the plan and indicate in the letter why the request is denied

If the GSCR request is considered complete, DOS will:

- Prepare and send an acknowledgment letter to the credit union
    - For **FISCUs**[3], DOS will copy the SSA on the letter

[1]Division of Supervision
[2]State Supervisory Authority
[3]Federally insured, state-chartered credit union

- Prepare and send a work assignment to the field that includes the credit union's request, supporting documentation, and a request for a recommendation for approval or denial

Exam Staff Review Responsibilities

If assigned, the examiner will evaluate the credit union's DSCR request. After evaluating the GSCR request, the examiner will:

- Complete the applicable tab of the Subordinated Debt Questionnaire
- Complete a Regional Summary to include an approval or denial recommendation
- Draft a letter to approve, partially approve, or deny the request using the appropriate template
- Approve Request to Redeem Grandfathered secondary capital
- Deny Request to Redeem Grandfathered secondary capital
- Email the letter, the Regional Summary, and any supporting documentation to their supervisor

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

DOS Processing and Review Responsibilities

When DOS receives the field's recommendation, it will review and analyze the support and justification documentation. If DOS and/or the RD disagrees with the field recommendation, the reasons for the different conclusion will be discussed with the field supervisor. The field will be able to further support or revise their recommendation.

DOS finalizes the response letter for the RD's signature. For **FCUs**[1], DOS will send the signed letter to the credit union and copy both the examiner and supervisor.

For FISCUs, DOS will consult with the credit union's SSA in issuing the region's decision on its request.

Last updated on April 29, 2022

[1]Federal credit union

Regulatory Waivers and other Regulatory Actions Templates

- Occupancy Waiver Templates
- Request for Decrease in Earnings Retention Requirements Waiver
- Secondary Capital Plan
- Loan Participation Waiver

Occupancy Waiver Templates

- Respond to Incomplete Request for Occupancy Waiver
- Acknowledge Request for Occupancy Waiver
- Regional Summary of Occupancy Waiver Request
- Approve Request for Occupancy Waiver
- Deny Request for Occupancy Waiver

Last updated January 27, 2016

Request for Decrease in Earnings Retention Requirements Templates

- Respond to Incomplete Request to Reduce Earnings Retention Requirement
- Regional Summary of Decrease in Earnings Retention Requirement
- Approve Request to Reduce Earnings Retention Requirement
- Deny Request to Reduce Earnings Retention Requirement

Last updated October 26, 2022

Subordinated Debt Application Templates

- Respond to Incomplete Proposed Subordinated Debt Application
- Acknowledge Submission of Subordinated Debt Application
- Regional Summary of Subordinated Debt Application

- Approve Subordinated Debt Application with Contingency
- Approve Subordinated Debt Application
- Deny Subordinated Debt Application
- Subordinated Debt Questionnaire

Natural Person Accredited Investor Offering Documents Templates

- Respond to Incomplete Proposed Subordinated Debt Application
- Acknowledge Submission of Subordinated Debt Application
- Regional Summary of Subordinated Debt Application
- Approve Subordinated Debt Application with Contingency
- Approve Subordinated Debt Application
- Deny Subordinated Debt Application
- Subordinated Debt Questionnaire

Subordinated Debt Prepayment Request Templates

- Response to Incomplete Proposed Subordinated Debt Prepayment Application
- Acknowledge Request to Prepay Subordinated Debt
- Regional Summary of Request to Prepay Subordinated Debt
- Approve Request to Prepay Subordinated Debt
- Deny Request to Prepay Subordinated Debt

Grandfathered Secondary Capital Redemption Request Templates

- Response to Incomplete Proposed Grandfathered Secondary Capital Redemption Application
- Acknowledge Request to Redeem Grandfathered Secondary Capital

- Regional Summary of Request to Redeem Grandfathered Secondary Capital
- Approve Request to Redeem Grandfathered Secondary Capital
- Deny Request to Redeem Grandfathered Secondary Capital

Last updated April 29, 2022

Loan Participation Waiver

- Respond to Incomplete Request for Loan Participation Limit Waiver
- Acknowledge Request for Loan Participation Limit Waiver
- Regional Summary of Loan Participation Limit Waiver
- Approve Request for Loan Participation Limit Waiver
- Deny Request for Loan Participation Limit Waiver

Last updated July 29, 2015

Small Credit Union and Minority Depository Institution Support Program Framework

Overview and Objective

The objective of the Small Credit Union and **MDI**[1] Support Program is to provide additional hours and resources for **exam staff**[2] to support small credit unions and MDIs in a meaningful way, while still maintaining necessary guard rails. Supporting and preserving small credit unions and MDIs is fundamental to the NCUA's efforts to promote greater financial inclusion by expanding access to affordable, federally insured financial services. The framework also ensures objectives are met through regular reporting and monitoring. For this program, small credit unions are defined as those having less than $100 million in assets as of the prior calendar year end. MDI support is not limited by asset size.

MDI preservation is also a priority of Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

In this framework, we will detail the process and methodology for selecting recipients of additional assistance as part of the support program for these institutions, list the types of assistance appropriate for the program, and formalize related documentation requirements and reporting processes.

Last updated October 26, 2022

Types of Assistance

Program-appropriate activities include providing credit union personnel with assistance or guidance on areas such as:

Finding Resources

- Discussing NCUA and third-party resources available to small credit unions and MDIs, and how to obtain assistance from these entities;

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[1]Minority Depository Institution

[2]"exam 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.

- Applying for grants and loans provided by the NCUA-administered Community Development Revolving Loan Fund;
- Pairing with mentors, which may include helping to find a mentor, doing meet and greet, and facilitating mentor-mentee discussions; and
- Reviewing NCUA training materials, including those available through **CURE**[1].

The NCUA's Learning Management Services for Credit Unions is administered by CURE. Currently, over 40 courses are available for credit union officials covering a range of topics. Please click on this link to be taken to the landing page. The contract only provides enough licenses for credit union officials to access the program material. **Examiners**[2] will have access to detailed course descriptions on CURE's SharePoint site in the future, but in the interim CURE's course descriptions are provided in the Considerations for Providing Support job aid.

Strategic Issues

- Developing strategic business plans and budgets;
- Creating succession plans and related processes;
- Evaluating earnings and the relationship to loan and deposit rate structures;
- Analyzing operating expenses for reasonableness and budget impact;
- Providing information on field of membership expansion and other growth opportunities;
- Evaluating technology needs and potential solutions;
- Providing guidance and considerations related to expanding product and service offerings; and
- Developing marketing plans and related materials.

[1]NCUA's Office of Credit Union Resources and Expansion

[2]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.).

Examination and Compliance Issues

- Addressing concerns noted at the most recent examination or contact;
- Reviewing Call Report changes and preparation, including help with the mapping from the old to new account codes, processes for gathering the new data, etc.;
- Providing offsite examination and supervision materials, including helping them collect/gather the materials and explaining how to use MERIT or the portal to upload them;
- Providing clarifications and information regarding regulatory or compliance requirements;
- Providing information on how to manage credit risk and reporting;
- Developing Net Worth Restoration Plans; and
- Helping in other areas as deemed appropriate for the individual credit union.

Additional considerations for providing support can be found in the Considerations for Providing Support job aid.

Last updated October 26, 2022

Providing Assistance

When providing credit unions with support, **exam staff**[1] may not prepare bank account reconcilements, draft policies, or perform tasks that are more akin to credit union management. For example, exam staff may provide templates or demonstrate how to complete a reconciliation, but under no circumstance should they complete the reconciliation for credit union management. Assistance should focus on answering questions, providing additional guidance and direction, directing management to resources available to them, and supporting management in their efforts to address operational issues.

[1]"exam 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.

Support Program contacts are intended to provide support for small or **MDI**[1] credit unions that may be outside the scope or intent of the agency's examination program. Through these contacts, the NCUA hopes to provide support and improve outcomes for these credit unions resulting in fewer failures and mergers and expanded access to safe, fair and affordable financial services to persons of modest means. The templates to this section contain an example email script to introduce the program to credit union management and help ensure the assistance meets their needs.

Although this assistance is not part of the exam program, examiners should act upon any material safety and soundness, or compliance concerns discovered. If such concerns are discovered, the examiner should consult with their supervisor to determine how best to address the concerns as part of the examination and supervision program.

Last updated October 26, 2022

Selecting Recipients

Each region is responsible for identifying specific credit unions that will receive assistance under the small credit union and **MDI**[2] support program, and budget for those hours accordingly.

Division of Supervision (DOS) Responsibilities:

- Annually, each region will provide **exam staff**[3] a memo requesting they identify credit unions in their respective groups and districts that would benefit from this program.
    - Current NCUA priorities and areas of emphasis, such as succession planning, net worth restoration planning, mentoring, and field-of-membership expansions will be noted as priority considerations for support.
    - The memo will require supervisors to provide a list of recommended credit unions to their respective ARD, using the Support Program Budget and Tracking Workbook.

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[1]Minority Depository Institution

[2]Minority Depository Institution

[3]"exam 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.

Exam Staff Responsibilities:

- After consulting with their staff, supervisors will provide a list of credit unions to their respective ARD using the Support Program Budget and Tracking Workbook, identifying both the estimated hours and the anticipated review areas for each credit union.
- If a **FISCU**[1] needs support, the supervisor should coordinate with the state supervisory authority before recommending the FISCU to the ARD to confirm the state has no concern with NCUA providing assistance.

ARD Responsibilities:

- ARDs will work with supervisors to finalize the list of credit unions participating in the support program and budget the hours accordingly.
    - When allocating hours, ARDs must consider the credit union's overall risk profile, the areas with which the credit union needs assistance, and current priorities for support. For example, one credit union may be allocated eight hours to review strategic planning and training resources, while another credit union may be allocated 40 hours to assist in a more substantive or technical areas, such as accounting and compliance training.
    - Each region should consider retaining a small pool of hours to be allocated during the year as new needs arise or changes occur at the credit unions where this support is being offered.
- Provide the Support Program Budget and Tracking Workbook listing the identified credit unions, whether they are an MDI per the credit union's CUOnline profile, budgeted hours, and areas of review monthly to the region's **DOS**[2] (DOS Mail) to support reporting and monitoring of the program.

Last updated October 26, 2022

Documentation, Reporting, and Monitoring

Assistance can be provided as a standalone contact or in conjunction with an existing exam or supervision contact. The assistance will be documented in the Support Program Completion Form, which captures information on the

[1]Federally insured, state-chartered credit union
[2]Division of Supervision

credit union receiving assistance, the types of assistance provided, whether the credit union is an **MDI**[1], and the time spent. There is no MERIT contact required. Each region's **DOS**[2] will be responsible for reviewing and aggregating the form data and ensuring the hours are accurately captured and recorded for reporting and monitoring purposes.

Exam Staff Responsibilities

- **Examiners**[3] will charge the time spent providing Support Program assistance to **WCC**[4] 2 – Consulting Credit Unions—ACCESS MDI Program.
- Examiners will complete and forward the Support Program Completion Form to their supervisor, who will review and forward it to DOS Mail for reporting and monitoring purposes.

DOS Responsibilities

- When a Support Program Completion Form is received, DOS will ensure it is complete, that it accurately represents the type of credit union assistance provided for reporting purposes, and that the assistance provided appropriately aligns with the program objectives. If corrections or follow-up are necessary, DOS staff will coordinate updates with the supervisor.
- DOS will enter the Support Program Completion Form data into the Support Program Budget and Tracking Workbook.
- Quarterly, DOS staff will seek feedback from **exam staff**[5] on potential program improvements or training needs. DOS will review and include recommendations for enhancement in the annual summary report discussed below.
- At least quarterly, DOS will prepare reporting for regional management and supervisors to help ensure the region is on track to meet the annual support program hours goals allocated to MDIs and non-MDIs combined as outlined in the NCUA's Annual Performance Plan. Reporting will

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[1]Minority Depository Institution

[2]Division of Supervision

[3]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.).

[4]Work Classification Code

[5]"exam 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.

compare the hours documented on the Support Program Completion Forms to the Support Program recipients previously provided by the ARDs for that year. The Support Program Budget and Tracking Workbook provides the functionality to track the percentage of hours used year-to-date as compared to budgeted hours and total program hours.

- Each region will provide an annual summary report to **E&I**[1], with a copy to **CURE**[2], by February 15 of the following year, and will include the completed Support Program Budget and Tracking Workbook.

E&I Responsibilities

- E&I will monitor national trends and program completion through the annual reporting provided by the regions.

Last updated October 26, 2022

Small Credit Union and Minority Depository Institution Support Program Framework Templates

- Email Script to Credit Unions and List of Assistance
- Considerations for Providing Support
- Support Program Budget and Tracking Workbook
- Support Program Completion Form

Last updated October 26, 2022

[1]Office of Examination and Insurance
[2]NCUA's Office of Credit Union Resources and Expansion

Unauthorized Access to Member Information

Part 748, Appendix B, of the NCUA's regulations requires a credit union to notify the appropriate NCUA Regional Director as soon as possible when it becomes aware of an incident involving unauthorized access to, or use of, sensitive member information. The rule and guidance accompanying the rule call for credit unions to conduct a risk-based evaluation of security breaches, but do not require notice to the NCUA in every instance. NCUA Legal Opinion Letter 06-0332, Re: Components of Security Response Program, clarifies that credit unions are not required to notify the NCUA if an incident of unauthorized access to member information involves little or no likelihood of harm to the member. **FISCUs**[1] must also notify the applicable **SSA**[2] in the event of an incident.

The NCUA reviews notifications received from credit unions to ensure the agency has direct knowledge of any potential issues, and can follow-up (onsite or offsite) on matters appropriately. The procedures in the NSPM provide a framework for assessing the effectiveness of a credit union's response plan and ensuring supervision plans are commensurate with the risk.

Member information[3] 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.

[1]Federally insured, state-chartered credit union

[2]State Supervisory Authority

[3]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.

This section of the NSPM includes the following information:

- Roles and responsibilities
- Process notifications
- Assess response plan effectiveness
- Ensure supervision plans are commensurate with risk

Last updated September 15, 2017

Roles and Responsibilities

Exam Staff

- Review notifications forwarded by **DOS**[1]
- Discuss the incident, the credit union's corrective actions, and other relevant factors with the assigned supervisor to assess the appropriateness of supervision plans
- Coordinate mutually agreeable supervision plans with DOS and the **ARDP**[2] (or **ARDO**[3], for Special Actions cases) if warranted
- Execute supervision plans
- If a 60 day follow-up is warranted, document the results of the review in the Regional Summary, draft the closing letter, and forward to DOS within 60 days of the original notification date
- For **FISCUs**[4], collaborate with the **SSA**[5] in the assessment of the incident and any changes to supervision plans as warranted

> Coordination with the SSA will vary, as it depends on the working arrangement with each SSA. For example, some **SSAs**[6] may review all incidents jointly with the NCUA, while others may defer to the NCUA's review. After consulting with the SSA, the NCUA may defer follow-up to the SSA, and adjust supervision plans to review the results of the SSA's contact.

[1]Division of Supervision
[2]Associate Regional Director of Programs
[3]Associate Regional Director of Operations
[4]Federally insured, state-chartered credit union
[5]State Supervisory Authority
[6]State Supervisory Authority

However, there may be instances when the SSA has agreed to review an incident, but the NCUA has determined that the complexity of the situation warrants the participation of an NCUA specialist. Overall, the **SE**[1] is responsible for initial coordination with the SSA on supervision plans.

Regional Division of Supervision

- Review notifications and record them in the appropriate regional tracking system
  - Forward any **FISCU**[2] notification to the applicable SSA as soon as possible, if the SSA has not already been notified by the credit union
- Forward notifications to the assigned **exam staff**[3] as soon as possible, generally within five business days
- Recommend changes to supervision plans as warranted
- Coordinate with the assigned supervisor to arrive at an agreed upon approach
  - See Ensure Supervision Plans are Commensurate with Risk for guidance.
  - DOS may use the optional IT Incident Checklist to coordinate supervision plans with the field.
- Draft an acknowledgement letter to the credit union no later than 30 days from receipt of a notification
  - Letter should coincide with the agreed-upon supervision plans
  - DOS will copy assigned exam staff should when the letter is distributed
- If a 60 day follow-up is warranted (for example, if the scope of a breach is unknown, systems remain compromised, members have not been notified, or appropriate corrective actions have not been taken or planned),

[1]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[2]Federally insured, state-chartered credit union
[3]"exam 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.

DOS will:

- Draft a work assignment to the field
- Review the field's completed Regional Summary and document a final recommendation in the approval portion of the document
- Process the closing letter to the credit union no later than 14 days from receipt of the Regional Summary, and copy assigned exam staff when the correspondence is distributed

- Post copies of all original notifications, Regional Summaries, and response letters to the E&I SharePoint Post Office as documents are finalized

E&I

- Maintain a log of reported instances of unauthorized access to sensitive member information

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Last updated September 15, 2017

Process Notifications

In practice, the timing and content of notifications of unauthorized access to member information will vary. Some may be provided when a credit union begins its investigation, while others may be provided after a credit union has completed its investigation and has taken corrective actions.

In general, credit unions will send a notification directly to the regional office. However, if **exam staff**[1] are notified of an incident not otherwise reported by a credit union, they should immediately notify their supervisor and determine whether the notification warrants being forwarded to the regional office. Any notifications of unauthorized access to member information received pursuant to part 748 of the NCUA's regulations should be forwarded to **DOS**[2] for processing.

If the NCUA determines that a credit union has not reported an incident (for example, if the field becomes aware of a media article regarding a breach), the acknowledgment letter sent to the credit union will include commentary on

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[1]"exam 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.
[2]Division of Supervision

reviewing the credit union's information security program and Gramm-Leach-Bliley Act compliance at the next examination.

Once a notification is received, DOS is responsible for coordinating with exam staff to assess the effectiveness of a credit union's response plan and for ensuring supervision plans are commensurate with risk.

Last updated September 15, 2017

Assess Response Plan Effectiveness

When assessing a credit union's response plan and any recommended changes to supervision plans, staff should consider the inherent risk of the compromised information, as well as any corrective actions the credit union has taken.

A notification received at the start of a credit union's investigation may not contain much information other than the credit union's discovery of a breach that could negatively impact members. If a notification indicates there is risk of potential harm to a member, but provides little additional information, **exam staff**[1] should recommend altering supervision plans to promptly follow-up on the issue.

If a notification is received after the credit union has concluded its investigation and implemented corrective actions, a more comprehensive assessment of the credit union's response plan may be possible, and may result in fewer changes to supervision plans.

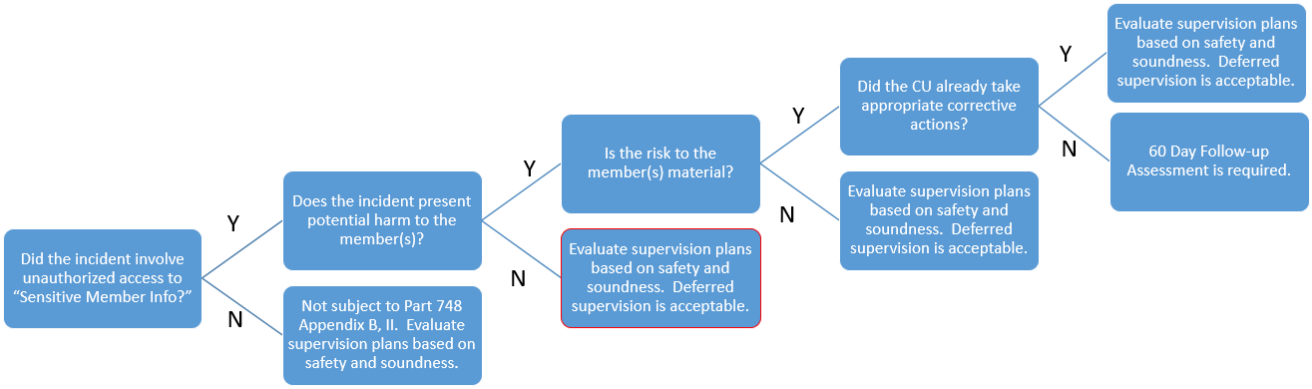
Last updated September 15, 2017

Ensure Supervision Plans are Commensurate with Risk

Supervision plans must be commensurate with risk, and will vary based on the circumstances surrounding an incident. The materiality of unauthorized access to member information is based on the risk to members rather than the risk to the **NCUSIF**[2]. The urgency and scope of the field's follow-up will coincide with the risk of potential harm to the members affected by a compromise.

[1]"exam 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.
[2]The National Credit Union Share Insurance Fund is also referred to as the share insurance fund.

To help determine if supervision are commensurate with risk, **exam staff**[1] should refer to the following decision tree:



If a notification indicates there has been unauthorized access to sensitive member information and appropriate corrective actions have not been executed or planned, exam staff must alter supervision plans to conduct a follow-up assessment within 60 days and report the results of the review to the regional office.
When evaluating supervision plans based on safety and soundness, if the risk to a credit union is deemed material, more immediate supervision must be scheduled. This is the case even if a credit union has outlined plans to respond to the incident. If the risk is not material from a safety and soundness perspective, follow-up may be deferred to a later date such as the next scheduled examination or supervision contact (onsite or offsite).

DOS[2] will recommend changes to supervision plans based on the information provided in a notification. DOS should consult with specialists, such as RISOs, for assistance on complex matters as needed.

Exam staff will further assess the effectiveness of the credit union's response plan in relation to the risk of potential harm to the members, and DOS's recommended supervision plans. Exam staff should also utilize specialist assistance on complex matters as needed, following regional procedures accordingly.

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[1]"exam 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.
[2]Division of Supervision

Ultimately, DOS and exam staff should come to an agreement on what constitutes appropriate supervision plans after a notification is received. In the event that DOS and exam staff do not agree on supervision plans, DOS will escalate the matter to the **ARDP**[1] (or **ARDO**[2] for Special Actions cases), who will evaluate the appropriateness and timeliness of supervision plans. Each region will also establish monitoring procedures for completion of 60 day follow-up reviews and any timeframe extensions granted by the ARDP on an exception basis.

Given the nature of the incident, the member notification, and the corrective actions planned, field follow-up may be deferred until the next scheduled exam or contact.

***Example*:** A notification indicates there was an incident involving unauthorized access to sensitive member information, and the credit union is in the preliminary stages of a forensic audit to identify the extent of the breach. It is unclear how many members may have been affected.
Supervision plans should be adjusted to actively monitor the situation, and ensure the credit union takes appropriate corrective actions including notifications to affected members. Field follow-up should be completed within 60 days, and the results reported to the regional office.

***Example*:** A notification indicates an ATM skimmer compromised the plastic cards used at an ATM over the weekend. The credit union has made any members who reported fraudulent transactions whole, notified all affected members of the incident, and plans to close and reissue the affected cards. Until then, enhanced transaction monitoring is already in place.
Given the nature of the incident, the member notification, and the corrective actions planned, field follow-up may be deferred until the next scheduled exam or contact. However, review of the credit union's controls over ATM security, including routine physical inspections, may also be recommended for consideration either via offsite contact or at the next scheduled exam or contact.

***Example*:** A notification indicates an employee accidentally emailed an auto insurance policy with sensitive member information to the wrong email address. The notification also describes the corrective actions taken including formal notification to the members, additional training for credit union personnel, and providing the affected members with an identity theft protection

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[1]Associate Regional Director of Programs
[2]Associate Regional Director of Operations

product.
Given the nature of the incident, the member notification, and the corrective actions taken, no changes to supervision plans appear warranted.

***Example*:** A notification indicates the credit union's card processor informed them that cards used at a national retailer may have been compromised. The credit union's notification also references national media coverage of the retailer's public announcement on the matter. The credit union notified all members of the incident via their website, and plans to close and reissue the affected cards. Until then, enhanced transaction monitoring is already in place. Given the nature of the incident, the member notification, and the corrective actions planned, field follow-up may be deferred until the next scheduled exam or contact.

Last updated September 15, 2017

Unauthorized Access to Member Information Templates

- Acknowledge Notification of Unauthorized Access to Member Data
- Regional Summary for Unauthorized Access to Member Data
- Respond to Notification of Unauthorized Access to Member Data (sample)
- IT Incident Checklist (sample)
- Acknowledge Letter for Deferred Follow-up (sample)
- Acknowledge Letter for 60 Day Follow-up (sample)
- Work Assignment Memo for 60 Day Follow-up (sample)
- Closing Letter (sample)

Last updated September 15, 2017

Work Classification Codes

Examiners[1] use work classification codes on weekly time reports. A MERIT contact report must be closed to report the time in the examination and supervision system for time codes with "MERIT" noted in the definition column of the sections listed below. For any other program time code, the use of MERIT is optional, as directed by regional management. This NSPM chapter establishes policy regarding the use of WCCs.

- General codes
- Administrative codes
- Subject matter examiner codes
- Office of Consumer Financial Protection codes

Reporting SME Time

Staff will record **SME**[2] time spent working in their specialty area or providing/receiving training in a particular specialty in TMS.NET using the SME Type and SME Hours columns. These columns should be used for examination and supervision work, training, or any other administrative time associated with an SME area. The SME Hours column is not expected to reconcile with the hours reported in the **WCC**[3] column.

Reporting Specialist Time

Specialists (**RLS**[4], **RCMS**[5], **RISO**[6], PSS) will record time spent working in their particular specialty area or providing/receiving training in TMS.NET using the Specialist Type and Specialist Hours columns. This includes examination and supervision work, training, or any other administrative time associated with a specialist area not reported in WCC 05, WCC 07, or WCC 19.

Last updated February 2, 2023

[1]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.).
[2]Subject Matter Examiner
[3]Work Classification Code
[4]Regional Lending Specialist
[5]Regional Capital Market Specialist
[6]Regional Information Systems Officer

General Work Classification Codes

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
Credit union consulting - MERIT	02	N/A	**Examiner**[2] time used to discuss new examination processes related to MERIT with a credit union. Also, time used for Small Credit Union and **MDI**[3] Support Program contacts.
Lending Specialists	05	N/A	Analysis of specialized loan programs. Time spent on specialized lending assignments by lending specialists not directly related to a specific credit union or credit union examination (for example, researching loan-related topics, developing training materials and training staff, mentoring examiners, and answering examiner inquiries). Charge **RLS**[4] time spent on detail to **E&I**[5] to detail to Central Office (WCC 43).
Chartering and FOM	06	N/A	Time spent collecting

[2]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.).
[3]Minority Depository Institution
[4]Regional Lending Specialist
[5]Office of Examination and Insurance

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
Activities			information, analyzing data, and recommending action on chartering and FOM changes, including community conversions and/or expansions, and underserved area expansion requests.
Capital Market Specialist -Administrative Time	07	N/A	Capital market specialist time spent on investments and **ALM**[2] issues. This pertains to time spent not directly related to a credit union (for example, researching investment and ALM topics, preparing and analyzing risk reports, developing training materials and training staff, mentoring examiners, reviewing MERIT ALM work papers and exam reports, conducting Bloomberg analytics, developing agency guidance, reviewing pilot program applications, and answering examiner inquiries). Charge **RCMS**[3] and CMS time spent on detail to E&I to

[2]Asset/Liability Management
[3]Regional Capital Market Specialist

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
			detail to Central Office (WCC 43).
SME[2] Special Program Time	08	N/A	Time spent by **SMEs**[3] not directly related to a credit union examination or supervision contact (for example, 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	N/A	Time spent completing activities for the Management Development Program or any other type of staff developmental program, such as OMWI's Mentoring Program or the USDA's Executive Leadership Program.
Examination **FCU**[4] – Regular	10	1.1, 1.2, or 1.3	Regular examination of

[2]Subject Matter Examiner
[3]Subject Matter Examiner
[4]Federal credit union

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
			a federally chartered credit union. Includes any SME or specialist (RCMS, RLS, **RISO**[2], PSS) activity directly related to an examination. (MERIT). Also, includes time Regional Capital Market Specialists (RCMS), Regional Information Systems Officers (RISO), Regional Lending Specialists (RLS), **ONES**[3] Capital Market Specialists (CMS), National Payment Systems Officer (NPSO), National Lending Specialists (NLS), and National Information Systems Officers (NISO) spend on examinations reviewing their specialty areas.
Examination **FISCU**[4] – Regular	11	1.6, 1.7, or 1.8	Examination/insurance review of any FISCU. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination/insurance

[2]Regional Information Systems Officer

[3]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.

[4]Federally insured, state-chartered credit union

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
			review. (MERIT)
Examination Corporate FCU	12	1.4	Regular examination of a federally chartered corporate. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination. (MERIT)
Examination Corporate SCU	13	1.9	Regular examination of a federally insured state-chartered corporate. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to an examination. (MERIT)
Examination **NFICU**[2]	15	1.10	Examination of a non-federally insured, state-chartered natural person (typically conversion examinations) or corporate credit union. (MERIT)
Information Systems Officer or Payment Systems Specialist Time	19	N/A	Information Systems Officer or Payment Systems Specialist time spent on IS&T and Payment System issues. This pertains to time spent not directly

[2]Non-federally insured credit union

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
			related to a credit union, vendor or **CUSO**[2] (for example, researching IS&T or payment systems topics, developing training materials and training staff, mentoring examiners, reviewing pilot program applications, and answering examiner inquiries).
5300 / 5310 Program FCU	20	N/A	Processing of Call Reports, **FPR**[3] trending analysis, and **RATE**[4]/**RADAR**[5] for consumer **FCUs**[6]. Processing of 5310 reports and Corporate FPR (CFPR) trending reports for corporate FCUs.
5300 / 5310 Program SCU	21	N/A	Processing of Call Reports, FPR trending analysis, and RATE/RADAR for consumer **FISCUs**[7]. Processing of 5310 reports and CBS trending reports for corporate FISCUs.

[2]Credit union service organization
[3]Financial Performance Report
[4]Risk Analysis and Trending Evaluation
[5]Risk Assessment and Data Analytics Rating
[6]Federal credit union
[7]Federally insured, state-chartered credit union

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
Supervision On-site – FCU	22	2.1, 2.2, 2.3, or 2.6	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. (MERIT)
Supervision On-site – FISCU	23	2.9, 2.10, or 2.16	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. (MERIT)
Vendor Review	24	N/A	Reviews of vendors or third-party service organizations used by credit unions that are not **CUSOs**[2]. For reviews or examinations of CUSOs, use WCC 29 (CUSO Review).
Review of State Examinations	26	3.1	Review of examination reports completed by state supervisory authorities. (MERIT)
Supervision Off-site – FCU	27	4.1, 4.5, 4.81, or 4.82	Off-site supervision of an FCU. If the purpose of an off-site supervision is to follow up

[2]Credit union service organization

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
			with credit unions to assess operational capacity following a natural disaster, document this in the comments section of TMS.NET. Includes any SME or specialist (RCMS, RLS, RISO, NPSO, NISO) activity directly related to a supervision contact. (MERIT, in accordance with the NSPM.)
Supervision Off-site – FISCU	28	4.9, 4.16, or 4.17	Off-site supervision of a FISCU. If the purpose of the off-site supervision is to follow up with credit unions to assess operational capacity following a natural disaster, document this in the comments section of TMS.NET. Includes any SME or specialist (RCMS, RLS, RISO, PSS) activity directly related to a supervision contact. (MERIT, in accordance with the NSPM.)
CUSO Review	29	N/A	Reviews or examinations of CUSOs.
Conservatorship Administration – FCU	50	2.8	Time spent administrating the con-

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
			servatorship of a federal chartered credit union. Does not include examination or supervision time related to safety and soundness oversight.
Conservatorship Administration - FISCU	51	2.17	Time spent administrating the conservatorship of a federally insured state-chartered credit union. Does not include examination or supervision time related to safety and soundness oversight.
Fraud Supervision On-site - FCU	90	2.4	On-site time spent at a federally chartered credit union specifically related to investigating and/or documenting a probable or known fraud. May be used in combination with other non-fraud related on-site supervision. Includes E&I directed contact due to Fraud Indicator report.
Fraud Supervision On-site - FISCU	91	2.11	On-site time spent at a federally insured state-chartered credit union specifically related to

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
			investigating or documenting a probable or known fraud. May be used in combination with other non-fraud related on-site supervision. Includes E&I directed contact due to Fraud Indicator report.
Pre-Exam Planning FCU	94	N/A	Planning before 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	N/A	Planning before 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	2.5	Time specifically allocated to reviewing com-

Classification	WCC[1]	MERIT Contact Sub-Type	Definition
			pliance 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	2.12	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.

Last updated February 2, 2023

Administrative Work Classification Codes

Classification	WCC[2]	Definition
Office	30	Miscellaneous examiner office time not directly related to a credit union. Typically includes: • Responding to surveys and requests for comments • Independently reviewing and devel-

Classification	WCC 1	Definition
		oping individual development plans • Writing and responding to e-mail, voicemail, hard copy mail • Preparing travel vouchers and time reports • Purchasing supplies • Filing and organizing • Making trips to post office • Making travel arrangements • Reviewing guidance, instructions, and other agency communications
Technology Administration	31	**Examiner**[2] time spent maintaining NCUA-issued technology and software not directly related to any other work code. This includes time related to restoring lost data, repairing hardware, time with the **OCIO**[3] Customer Service Help Desk, etc.
OJT **SME**[4] Trainee	34	Time spent receiving specialized SME training during credit union contacts. The Subject Matter Examiner Time Codes section of this chapter identifies each SME specialty area.
SE[5]/**DSA**[6] Details	35	Examiner time spent as acting SE or director of special actions (DSA).
OCIO Technical Support	36	Examiner details to OCIO, including the

[2]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.).
[3]Office of the Chief Information Officer
[4]Subject Matter Examiner
[5]Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).
[6]Division of Special Actions or discretionary supervisory actions

Classification	WCC 1	Definition
Desk		OCIO Technical Support Desk. Charge examiner time spent on the Technology Development Team (TDT) developing, testing, or training on MERIT to detail to central office (WCC 43).
Meetings/Conferences – External and Internal	37	Internal and external meetings or conferences (for example, chapter meetings, meetings with other agencies, topic presentations outside NCUA, SE group meetings, time spent with supervisors to review a performance or individual development plan, or private confidential mediation sessions).
Training – Classroom	39	Training courses requested through the **IDP**[2] process and normally delivered for all new examiners (including new examiners). Includes online training.
OJT SME Trainer	40	SME time spent providing specialized training during a credit union examination or contact. The Subject Matter Examiner Time Codes section of this chapter identifies each SME specialty area.
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 (for example, training on agency guidance, quarterly staff webinars).
Detail to Central Office	43	Detail assignments to the central office. Includes: • National committee and/or working group assignments

[2]Individual Development Plan

Classification	WCC 1	Definition
		• **EEO**[2] counselors • *Accounting Manual* and Examiner's Guide revisions • IS&T field (vendor reviews) and office details • Consumer compliance details • **RLS**[3] and **RCMS**[4] assignments to the central office, including instructor and training assignments • Commenting on national issuances (for example, instructions, regulations, supervisory letters), etc. Does not include details to OCIO (see WCC 36) or **CURE**[5] (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 DSA or **DOS**[6], etc.
Travel – **FCU**[7]	45	Travel associated with an FCU.
Travel – SCU	46	Travel associated with an SCU.
Travel - Training/Meetings/Conf.	47	Travel associated with training, meetings, conferences, or details.
OMWI Employee Resource Group	48	Exam staff participation in OMWI-sponsored Employee Resource Group activities or events.

[2]Equal Employment Opportunity
[3]Regional Lending Specialist
[4]Regional Capital Market Specialist
[5]NCUA's Office of Credit Union Resources and Expansion
[6]Division of Supervision
[7]Federal credit union

Classification	WCC 1	Definition
Holiday	66	Official government holiday.
Annual Leave	67	Annual leave.
Sick Leave	68	Sick leave for employee, family member, family funeral, family adoption, and Family Medical Leave Act (FMLA).
Other Leave	69	Other leave (for example, authorized administrative leave, award leave, military leave, court leave/jury duty).
Union Official Term Negotiations	70	A bargaining unit employee union representative use of approved official time, including applicable travel time, to participate in term and/or reopener negotiations covered in Article 41 of the **CBA**[2] and related bargaining preparation. Hours separate from the time bank in Article 6. *Reserved for use by bargaining unit employee union representatives.*
Union Official Mid-Term Negotiations	71	Approved official time, including applicable travel time, to participate in negotiations covered by Article 8 of the CBA. Hours separate from the time bank in Article 6. *Reserved for use by bargaining unit employee union representatives.*
Union Official Dispute Resolution	72	Approved official time, including applicable travel time, to represent employees in activities covered by Articles 28, 29, 30, and 31, or to participate in FLRA proceedings. Hours subject to the time bank and individual limits in Article 6. *Reserved for use by bargaining unit employee union representatives.*

[2]Collective Bargaining Agreement between NCUA and the National Treasury Employees Union.

Classification	WCC 1	Definition
Union Official General Labor/Management Relations	73	Approved official time, including any applicable travel time, for activities related to labor relations such as formal meetings, meetings with BU employees, mid-term bargaining preparation, preparing and maintaining records required by federal agencies. Hours subject to the time bank and individual time limits in Article 6 of the CBA. *Reserved for use by bargaining unit employee union representatives.*
Bargaining Unit Employee Official Time (Replaces Prior WCC 91)	76	Approved duty time, including any applicable travel time, to meet with union representatives concerning grievances or other representational matters. *Reserved for use by bargaining unit employees.*
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.

Last updated October 26, 2022

Subject Matter Examiner Time Codes

The following codes are used in combination with a **WCC**[1] to document time spent by staff with an **SME**[2] designation working in their specialty area. Exam staff that do not have, or are training towards, a SME designation should not charge time to these WCCs.

Classification	SME Type	SME Code	Definition
Capital Markets SME	CMS	1	Productive and administrative time related to Capital Markets SME work
Information Technology SME	IT	2	Productive and administrative time related to IS&T SME work
Payment Systems SME	EPS	3	Productive and administrative time related to Payment Systems SME work
Recordkeeping/Internal Controls SME	**RIC**[3]	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
Bank Secrecy Act/ Anti Money Laundering SME	**BSA**[4]	7	Productive and administrative time related to Bank Secrecy Act/Anti Money Laundering SME work.

Last updated June 3, 2019

[1]Work Classification Code
[2]Subject Matter Examiner
[3]Recordkeeping/internal control
[4]Bank Secrecy Act

Office of Consumer Financial Protection Work Classification Codes

The following WCCs are reserved for use by staff in the **OCFP**[1] to document consumer compliance reviews related to specific credit unions. Exam staff that do not work for OCFP should not charge time to these WCCs.

Classification	WCC 2	MERIT Contact Sub-Type	Definition
OCFP Onsite Fair Lending Review	03	1.5 or 1.11	On-site fair lending reviews of credit unions, including related on-site follow-up contacts. Regional **exam staff**[3] will charge time spent participating with OCFP on fair lending reviews to detail to Central Office (WCC 43). (MERIT)
OCFP Complaint Review	32	4.2	OCFP review of consumer complaints about federally

[1]Office of Consumer Financial Protection

[3]"exam 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.

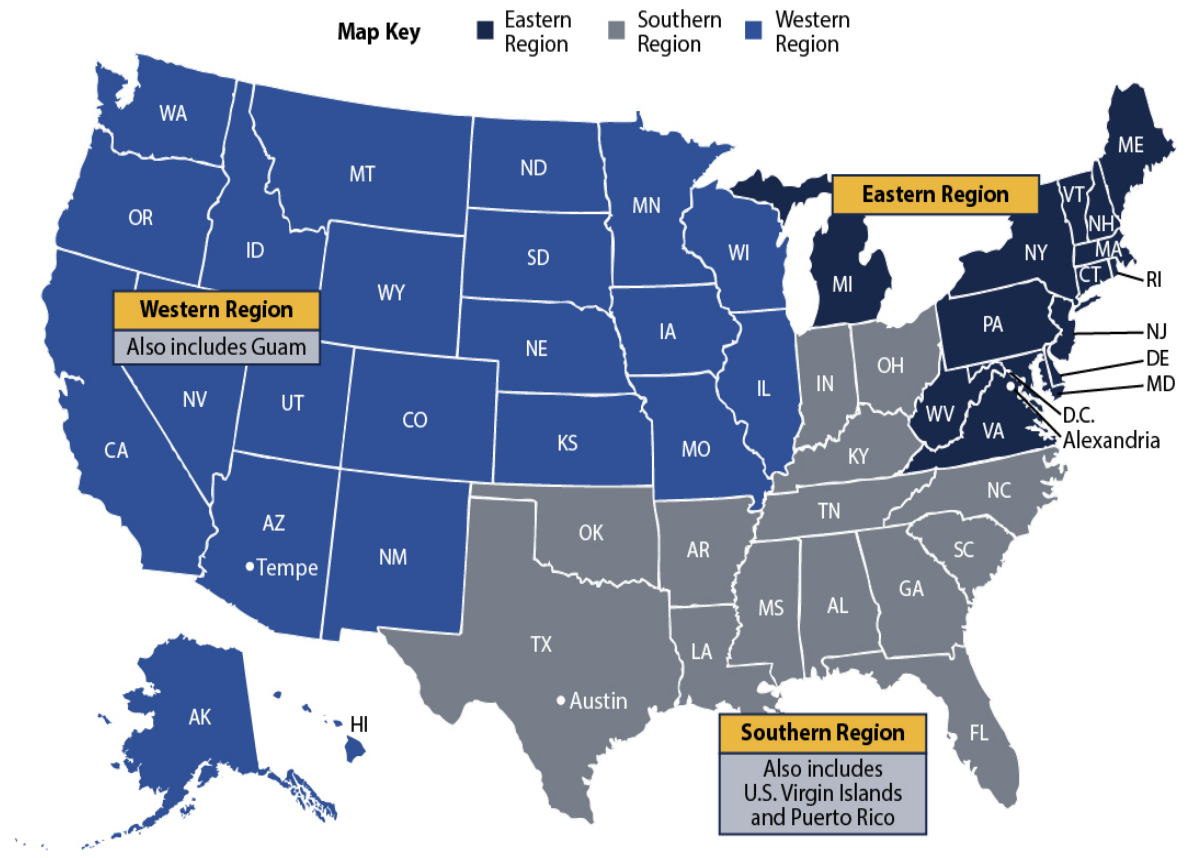
Classification	WCC 1	MERIT Contact Sub-Type	Definition
			insured credit union (**FCU**[2] and **FISCU**[3]) matters involving federal financial consumer protection laws and regulations. (MERIT)
OCFP Off-site Fair Lending Supervision Contact	33	4.3 or 4.15	Off-site fair lending reviews of credit unions, including off-site follow-up contacts after on-site examinations. (MERIT) Regional exam staff will charge time spent participating on off-site fair lending supervision contacts to detail to Central Office (WCC 43).

Last updated October 26, 2022

[2]Federal credit union
[3]Federally insured, state-chartered credit union

Regional Office Map

NCUA Regional Structure as of January 2023



Last updated February 2, 2023

Glossary

A

Administrative record

The administrative record is the total collection of information needed for decision-making purposes. It must present a complete, factual, and fully documented history of a credit union's problems. It should also clearly document the efforts taken (or not taken) by both the credit union officials and the NCUA to resolve those problems. Examiners will ensure the administrative record documents their concerns about a credit union. Examiners must compile the administrative record through AIRES workpapers, examination/supervision contact reports or other written communications to credit union officials.

ALCO

Asset/Liability Committee

ALM

Asset/Liability Management

AMAC

Asset Management Assistance Center

AML

Anti-money laundering

ARDO

Associate Regional Director of Operations

ARDOs

Associate Regional Director of Operations

ARDP

Associate Regional Director of Programs

ARDPs

Associate Regional Director of Programs

AUSP
Agreed Upon Supervision Plan

B

BAM
Board Action Memorandum

BAMs
Board Action Memorandum

BSA
Bank Secrecy Act

BSA-S
Significant BSA violation

Business day
Throughout the NSPM, a "business day" is defined as any day in which normal business is conducted. Business days generally exclude weekends and federal holidays.

C

C&D
Cease and desist

CBA
Collective Bargaining Agreement between NCUA and the National Treasury Employees Union.

CCPO
Division of Consumer Compliance Policy and Outreach in the NCUA's Office of Consumer Finnacial Protection

CCULR
Complex Credit Union Leverage Ratio

CCV
Consumer Compliance Violations

CDD
Customer due diligence

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CFPB
Consumer Financial Protection Bureau

CFR
Code of Federal Regulations

CIP
Customer identification program

CMIR
Report(s) of International Transportation of Currency or Monetary Instruments

CMIRs
Report(s) of International Transportation of Currency or Monetary Instruments

CMP
Civil money penalty; civil money penalties

CMPs
Civil money penalty; civil money penalties

COO
Chief Operations Officer

CRP
Capital Restoration Plan

CTR
Currency Transaction Report

CTRs
Currency Transaction Report

CU
Credit union; credit unions

CURE
NCUA's Office of Credit Union Resources and Expansion

CUs
Credit union; credit unions

CUSO
Credit union service organization

CUSOs
Credit union service organization

D

DCM
Division of Capital Markets

DE
District Examiner

DEs
District Examiner

DOEP
Designation of Exempt Person

DOI
Division of Insurance

DOJ
U.S. Department of Justice

DOR
Document of Resolution

DORs
Document of Resolution

DOS
Division of Supervision

DSA
Division of Special Actions or discretionary supervisory actions

DSCR
Documented Secondary CAMELS Review

DSCR review
A review completed in advance of delivery to credit union officials when a credit union meets specific risk criteria.

DSCRs
Documented Secondary CAMELS Review

E

E&I
Office of Examination and Insurance

ED
Executive Director

EDS
Economic Development Specialist

EDSs
Economic Development Specialist

EEO
Equal Employment Opportunity

EIC
Examiner-in-charge

EICs
Examiner-in-charge

ESG
Exam Steering Group

ETW
Earnings Transfer Waiver

ETWs
Earnings Transfer Waiver

exam staff
"exam 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.

Examiner
Throughout the NSPM, the term "examiner" includes district and principal examiners, problem case officers, examiners and specialized examiners. The term typically refers to DEs, PCOs, and national field examiners. It also refers to any type of specialized examiner (RLS, ALS, RCMS, RISO, etc.).

Examiners
Throughout the NSPM, the term "examiner" includes district and principal examiners, problem case officers, examiners and specialized examiners. The term typically refers to DEs, PCOs, and national field examiners. It also refers to any type of specialized examiner (RLS, ALS, RCMS, RISO, etc.).

F

FBAR
Report of Foreign Bank and Financial Accounts

FBARs
Report of Foreign Bank and Financial Accounts

FCU
Federal credit union

FCUs
Federal credit union

FDIC
Federal Deposit Insurance Corporation

FFIEC
Federal Financial Institutions Examination Council

FHA/VA
Federal Housing Administration / Veterans Administration

FICU
Federally insured credit union

FICUs
Federally insured credit union

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

Field supervisor
“Field supervisor” includes supervisory examiners, national field supervisors, and directors of special actions. This term was defined in NCUA Instruction NO. 5000.20 (Rev. 5), Risk-Focused Examination Scope," issued January 10, 2014.

FinCEN
Financial Crimes Enforcement Network

FISCU
Federally insured, state-chartered credit union

FISCUs
Federally insured, state-chartered credit union

FOIA
Freedom of Information Act

FPR
Financial Performance Report

FPRs
Financial Performance Report

FRB
Federal Reserve Bank

FTC
Federal Trade Commission

G

GAAP
Generally Accepted Accounting Principles

GAAS
Generally accepted auditing standards

GAO
U.S. Government Accountability Office

GLOC
guaranteed line of credit

GTO; GTOs
Geographic Targeting Order(s)

H

HRP
High-risk pipeline

HUD
U.S. Department of Housing and Urban Development

I

IAP
Investment action plan

IAPs
Investment action plan

IDP
Individual Development Plan

IDPs
Individual Development Plan

IRPS
Interpretive Ruling and Policy Statements are issued by NCUA's Office of General Counsel.

IRPSs
Interpretive Ruling and Policy Statements are issued by NCUA's Office of General Counsel.

IRR
Interest rate risk

IRS
Internal Revenue Service

ISM
Issues Management in MERIT

ISO
Information System Officer

ISOs
Information System Officer

L

LCRE
Loan Concentration Risk Evaluation

LCRO
Loan Concentration Risk Outlier

LICU
Low-income credit union

LICUs
Low-income credit union

LTV
Loan-to-value

LUA
Letter of understanding and agreement

LUAs
Letter of understanding and agreement

M

MARS
Management Automated Resource System

MBL
Member Business Loan

MBLs
Member Business Loan

MDI
Minority Depository Institution

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.

MIS
Management Information System

ML/TF
Money laundering and terrorist financing

MLR
Material Loss Review

MOU; MOUs
Memorandum of Understanding; Memorandum of Understandings

N

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

NEC
National Examination Committee

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

NFICU
Non-federally insured credit union

NFICUs
Non-federally insured credit union

NLA
No longer applicable

NSCUP
National Small Credit Union Program

NWR
Net worth ratio

NWRP
Net Worth Restoration Plan(s)

NWRPs
Net Worth Restoration Plan(s)

O

OCA
Other corrective action

OCC
Office of the Comptroller of the Currency

OCFP
Office of Consumer Financial Protection

OCIO
Office of the Chief Information Officer

OEAC
NCUA's Office of External Affairs and Communications

OGC
NCUA's Office of General Counsel

OIG
Office of the Inspector General

ONES
Throughout the NSPM, the term "regional office" includes the Office of National Examinations and Supervision (ONES). The term "Regional Director" includes the ONES director and "associate Regional Director" includes the ONES deputy director.

P

PASS
Payment Analysis and Screening System

PCA
Prompt Corrective Action(s)

PCAs
Prompt Corrective Action(s)

PCO
Problem Case Officer

PCOs
Problem Case Officer

PE
Principal Examiner

PEs
Principal Examiner

PII
Personally identifiable information

PRA
Public Records Act

PSR
Pre-release secondary review

PUED
prior undivided earnings deficit

PWL
Preliminary Warning Letter

PWLs
Preliminary Warning Letter

Q

QA
Quality assurance; the continuous process of verifying whether supervisory and oversight activities meet the NCUA's established requirements

QCR
Quality control review; actions taken on items or activities to verify adherence to specified requirements. The QCR element is generally included as a segment of QA.

QCR forms

Tools designed to identify risks to the NCUSIF, evaluate whether an individual examination or supervision contact report meets national standards, and provide a written assessment of that report.

QCRs

Quality control review; actions taken on items or activities to verify adherence to specified requirements. The QCR element is generally included as a segment of QA.

R

RADAR

Risk Assessment and Data Analytics Rating

RATE

Risk Analysis and Trending Evaluation

RATE form

Risk Analysis Trending and Evaluation form, a tool used to document quarterly risk reviews of natural person credit unions.

RBNW

Risk-based net worth

RBP

Revised Business Plan

RBPs

Revised Business Plan

RCMS

Regional Capital Market Specialist

RD

Regional Director

RDL

Regional Director letter

RDLs
Regional Director letter

RDs
Regional Director

Regional office
"Regional offices" include the Office of National Examinations and Supervision (ONES). This term was defined in NCUA Instruction NO. 5000.20 (Rev. 5), Risk-Focused Examination Scope," issued January 10, 2014.

RIC
Recordkeeping/internal control

RISO
Regional Information Systems Officer

RLS
Regional Lending Specialist

RO
NCUA regional office

ROs
NCUA regional office

S

SAR
Suspicious Activity Report

SARs
Suspicious Activity Report

SATEX
An Excel workbook consisting of a series of linked spreadsheets. The name is an acronym for "Special Actions Trends Expanded." SATEX spreadsheets are used to capture data from a credit union's monthly financial statements and provide a tool for monitoring and analyzing financial trends. Only the data necessary to track a credit union's performance and problem areas should be entered in SATEX.

SC
Supervisory Committee

SCR
Secondary Capital Redemption

SCUEP
Small Credit Union Examination Program

SCUP
Small Credit Union Program

SE
Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

SEC
Securities and Exchange Commission

SEs
Supervisory examiner. Replace "SE" with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

Share insurance fund
National Credit Union Share Insurance Fund

SIA
Special Insuring Agreement

SME
Subject Matter Examiner

SMEs
Subject Matter Examiner

SSA
State Supervisory Authority

SSAs
State Supervisory Authority

SSR form

State supervisory review form, a tool designed to document district examiner review of examination reports submitted by examiners employed by SSAs.

Supervisor

Throughout the NSPM, the term “supervisor” includes supervisory examiners, national field supervisors and directors of special actions. This term typically refers to DSAs, SEs, and national field supervisors. The abbreviation "SE" appears on many templates provided in the NSPM. Replace “SE” with the appropriate term if you have another kind of supervisor (e.g., DSA, etc.).

U

USA PATRIOT Act

Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism

USC

United States Code

W

WCC

Work Classification Code