 **NCUA**
National Credit Union Administration

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NCUA Update

Credit Union Cooperative Association
May 16, 2019

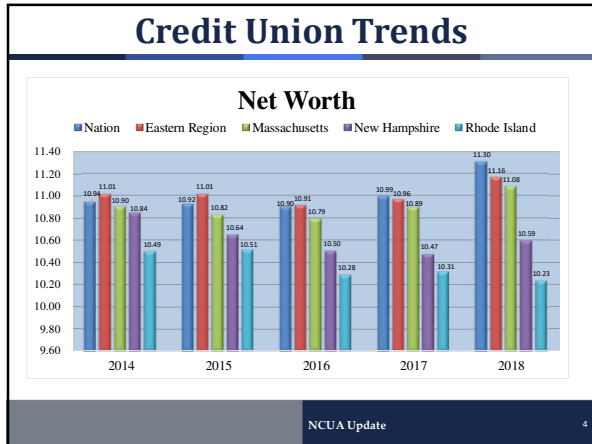
Overview

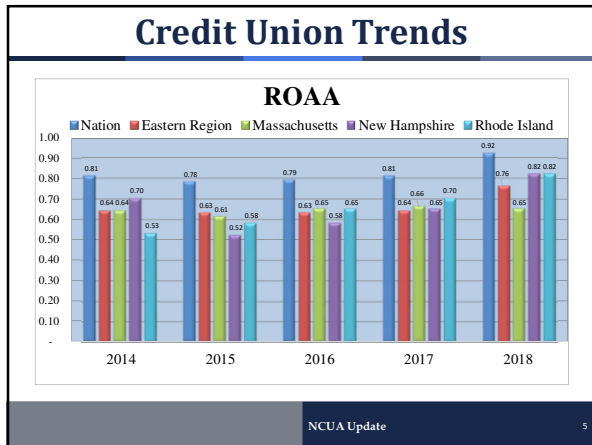
- Financial Trends
- Hot Topics & Supervisory Priorities
- NCUA Reorganization

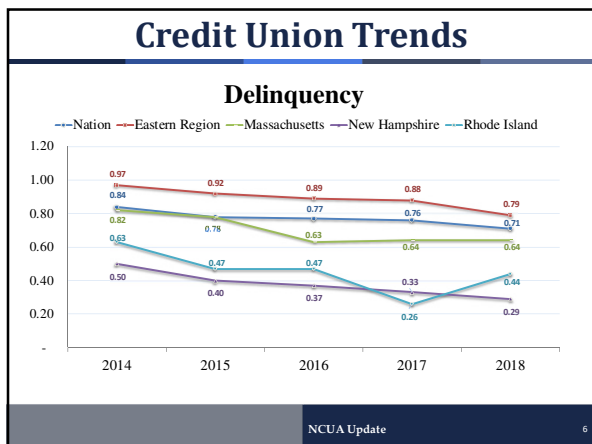
NCUA Update 2

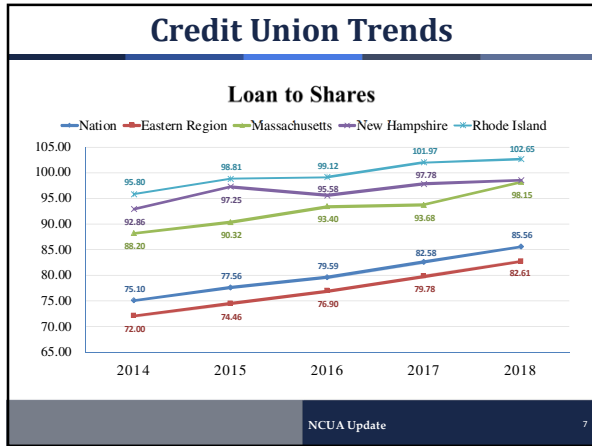
FINANCIAL TRENDS

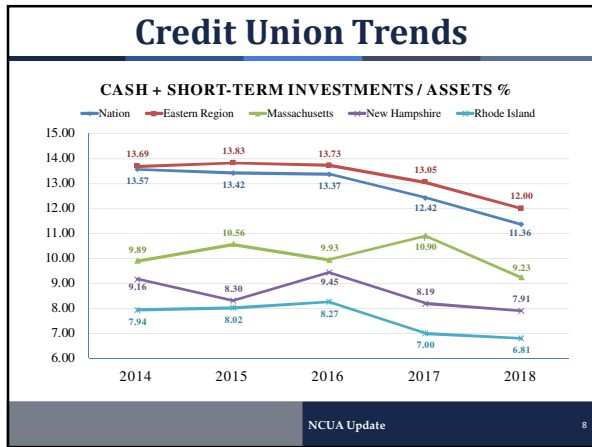
NCUA Update 3

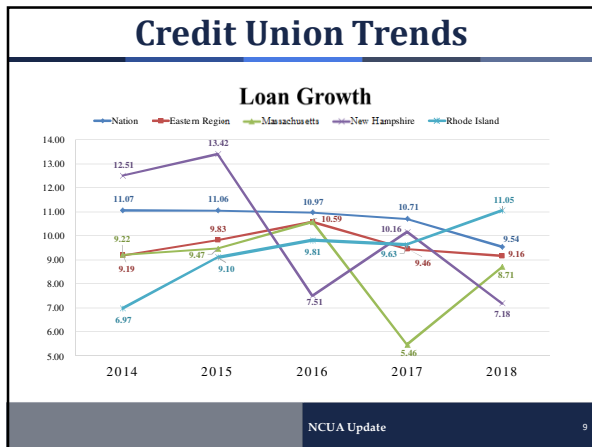












HOT TOPICS & SUPERVISORY PRIORITIES

NCUA Update 10

2019 NCUSIF Distribution

- **\$160.1 million equity distribution in 2rd quarter 2019**
 - Second largest distribution in history of the Share Insurance Fund
- **Pro rata distribution to eligible institutions filing at least one Call Report during 2018**
 - Based on average insured shares reported on quarterly Call Reports

NCUA Update 11

Bank Secrecy Act Compliance

- **Customer Due Diligence (CDD) Rule**
 - Formalized requirement as minimum BSA component
 - Became effective May 11, 2018
 - Imposed new beneficial owner requirements
 - Outlined explicit CDD requirements (5th pillar)

1. System of Internal Controls 2. Independent Testing

3. Responsible Individual 4. Training 5. Customer Due Diligence

NCUA Update 12

Concentrations of Credit

- **Identification and Risk Mitigation of Concentration Risk**
 - Excessive credit concentrations are a common cause of financial losses
 - Examiners will focus on large concentrations of loan products and specific risk characteristics
 - If excessive levels of credit concentration risk are identified, examiners will work with management to identify strategies to mitigate the risk
- **NCUA Letter to Credit Unions 10-CU-03 provides guidance on managing Concentration Risk**

NCUA Update 13

Consumer Compliance

- **Focus on the following:**
 - Home Mortgage Disclosure Act (HMDA)
 - Military Lending Act (MLA)
 - Regulation B- Equal Credit Opportunity Act
 - Regulation E

NCUA Update 14

Current Expected Credit Losses (CECL)

- **Financial Accounting Standards Board (FASB)**
 - Issued new accounting standard
 - ASU 2016-013 Topic 326 –Financial Instruments – Credit Losses
- **Effective January 1, 2022 for Credit Unions**
 - CECL requirements may continue to evolve in 2019
- **NCUA Guidance**
 - Letters to Credit Unions 17-CU-05 & 16-CU-13

NCUA Update 15

Cybersecurity Assessment

Automated Cybersecurity Examination Tool (ACET):

- Improve and standardize supervision
- Establish measurable process for assessing cyber preparedness
- Aligns with FFIEC's voluntary Cybersecurity Assessment Tool (CAT)

In 2019 examiners will complete the ACET in credit unions with assets over \$250 million who have not previously received an assessment

NCUA Update 16

Common IT Risk Assessment Findings

- **No IT Risk Assessment**
- **Not updated and approved annually**
- **No gaps identified**
 - Necessary improvements and assigned projects
- **Limited only to the IT area**
 - Should also include physical security & paper documents

NCUA Update 17

Liquidity and Interest Rate Risk

- **Examiners will assess liquidity and interest rate risk management, including:**
 - Potential effects of rising interest rates on the market value of assets;
 - Potential member preference changes to more rate sensitive products; and
 - Management's ability to meet liquidity needs given competitive market pressures.
- **If not properly managed, leveraging can rapidly increase a credit union's liquidity and interest rate risk exposure and threaten its earnings and capital**

NCUA Update 18

Marijuana Banking

- Recreational and medical marijuana were legalized in Maine
- FinCEN Guidance (FIN-2014-G001) outlines due diligence requirements for financial institutions

Information is current as of Nov. 7, 2018.

Marijuana Legalization Status

- Medical marijuana broadly legalized
- Marijuana legalized for recreational use
- No broad laws legalizing marijuana

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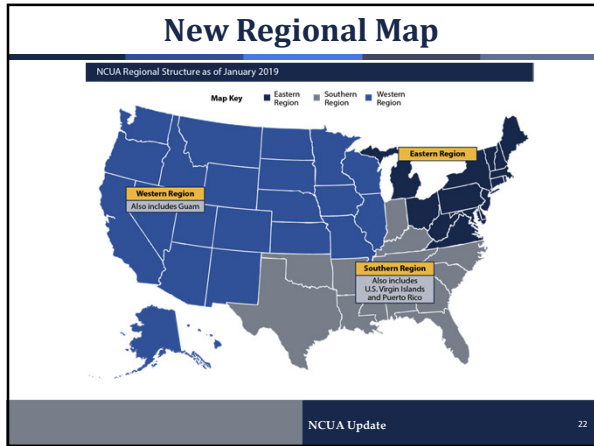
NCUA REORGANIZATION

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Reorganization

- Consolidated offices with overlapping functions
- Restructured offices to improve efficiency
- Strengthened key functions to comply with laws governing federal agencies
- Positioned NCUA to meet the future needs of credit unions

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Office Contact Page

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