

# NCUA LETTER TO FEDERAL CREDIT UNIONS

## NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA

**DATE:** August 2001

**LETTER NO.:** 01-FCU-05

**TO:** Federal Credit Unions

**SUBJ:** Risk-Based Examination Scheduling Policy

On July 26, 2001, the National Credit Union Administration (NCUA) Board approved an examination scheduling policy that allows the Agency more flexibility in balancing numerous risk factors and priorities with available resources without compromising the safety and soundness of credit unions.

Credit unions posing minimal or no risk to the National Credit Union Share Insurance Fund (NCUSIF) may receive an examination twice every 3 years. In general, a low risk credit union:

- has been assigned a composite CAMEL code 1 or 2 for the past two most recent examinations;
- has been in operation at least 10 years;
- is not operating under a Net Worth Restoration Plan or Letter of Understanding and Agreement;
- is not operating under an administrative order;
- has not experienced major and potentially adverse changes in its balance sheet;
- has a positive return on average assets;
- has not implemented any new high-risk programs, including any pilot programs;
- has a net worth ratio greater than 7 percent or, if applicable, meets its risk-based net worth requirement;
- has an adequate ALM mechanism in place;
- has an adequate internal control system in place; and
- has a track record of maintaining accurate and current books and records.

Many credit unions will continue to receive an annual examination, particularly during the transition period. Credit unions that exhibit adverse economic trends or other risk factors, or where off-site monitoring systems indicate higher relative risk, will receive an appropriate level of supervision that may result in more frequent on-site contacts. In this way, NCUA can allocate resources to higher risk areas, be more responsive to the needs of individual credit unions, and manage resources more effectively.

If you have any questions regarding examination scheduling for your credit union, please contact your district examiner or regional office.

Sincerely,

/s/

Dennis Dollar  
Acting Chairman