

NCUA LETTER TO CREDIT UNIONS

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

DATE: March 2002 **LETTER NO.:** 02-CU-05
TO: Federally Insured Credit Unions
SUBJ: Examination Program Liquidity Questionnaire
ENCL: Liquidity Questionnaire

Dear Board of Directors:

We have provided you with guidance on balance sheet risk in recent Letters to Credit Unions # 00-CU-13 and 01-CU-08, dated December 2000 and July 2001, respectively. Specifically, in Letter to Credit Unions #01-CU-08, we indicated we were testing improved examination procedures to better evaluate a credit union's liquidity and funds management process. The enhanced procedures have been finalized and will be incorporated into our automated examination system shortly. Enclosed is the Liquidity Questionnaire coupled with commentary for each question for your information. You may find it helpful when evaluating your own liquidity management processes. The questionnaire will be made available publicly through the NCUA web site at: www.ncua.gov.

Briefly, using a risk-based approach, an examiner establishes the scope of the review using certain quantitative and qualitative information. The Liquidity Questionnaire will work similar to the Asset Liability Management (ALM) Questionnaire with the scope expanding as red flags are raised.

If you have any questions on liquidity, please contact your examiner, NCUA regional office, or, in the case of state-chartered credit unions, your state supervisory authority.

Sincerely,
/s/

Dennis Dollar
Chairman

Enclosure