15-CU-01 Supervisory Priorities for 2015

Summary

Prepared by NASCUS Legislative & Regulatory Affairs Department
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NCUA has published its supervisory priorities for 2015. This year, federal examiners will focus on cybersecurity, IRR, BSA compliance, liquidity and contingency funding plans, lending programs, and TILA-RESPA integrated disclosures. NCUA will also fully implement its Small Credit Union Examination Program (SCUEP).

Cybersecurity

NCUA will focus on measures it feels credit unions can take to protect their data and their members, including:

- encrypting sensitive data
- developing a comprehensive information security policy
- performing due diligence over third parties that handle credit union data
- monitoring cybersecurity risk exposure
- monitoring transactions
- testing security measures
- ability to recover from breach and resume operations

NCUA encourages credit unions to reference Part 748 for guidance on developing an incident response program as well as cybersecurity resources posted by NCUA and the FFIEC's Cybersecurity and Critical Infrastructure Working Group.

Interest Rate Risk

NCUA will continue to focus on IRR, concerned that some credit unions may be susceptible to heightened risk due to higher concentrations of net long-term assets and unrealized losses. All credit unions with assets greater than $50 million are required to implement a written IRR policy and program. NCUA is also in the process of updating its guidance on IRR. More information on IRR is available on NCUA's website.

BSA Compliance

In 2015, NCUA will continue to assess credit unions' BSA compliance with a focus on credit unions' relationships with money services businesses (MSBs). Noting the unique risk posed by MSBs, NCUA recently issued guidance to examiners and credit unions regarding BSA and MSBs (NASCUS summary available here).

Liquidity and Contingency Funding Plans Rule

NCUA will also focus on compliance with its new liquidity rule, §741.12. In 2013, NCUA issued guidance on the liquidity planning requirements for various asset sized credit unions. In particular, NCUA will focus on credit unions with assets of $250+ million compliance with the requirement to establish and document access to at least one contingent federal liquidity source (the Federal Reserve Discount Window and/or the Central Liquidity Facility) as well to have conducted advance planning and periodic testing to ensure that contingent funding sources are readily available when needed.

TILA-RESPA Integrated Disclosure Rule

On August 1, 2015, credit unions that originate residential mortgages will be required to comply with the Consumer Financial Protection Bureau's (CFPB's) TILA-RESPA Integrated Disclosure Rule. The rule requires loan originators to provide consumers with:

- **A Loan Estimate form** - combines the initial Truth in Lending Act (TILA) disclosure and the Good Faith Estimate and must be delivered or placed in the mail no later than the 3rd business day after receiving a consumer's mortgage application.
- **A Closing Disclosure form** - combines the final TILA disclosure and the HUD-1 Settlement Statement and must be provided to the consumer at least 3 business days prior to consummation of the mortgage.

The new rule also imposes record retention requirements and restricts mortgage originators from imposing certain fees, providing estimates, or requiring consumers to verify information before providing consumers with a Loan Estimate form.

Ability-to-Repay (ATR) and Qualified Mortgage (QM) Standards Rule

NCUA will focus on credit union compliance with the CFPB's ATR and QM rules, which:

- Requires certain mortgage lenders to consider eight specific factors to assess a borrower's ability to repay a loan
- Provides certain legal protections to loans that meet the ATR and QM criteria

NCUA provided previous guidance on these issues in a [2014 Letter to Credit Unions](https://).

Small Credit Union Exam Program (SCUEP) for FCUs

NCUA's SCUEP, to be fully implemented by 2nd quarter 2015, will use a defined-scope exam approach that focuses attention on the primary areas of risk for small credit unions: internal controls, recordkeeping, and lending. There will be more transactions testing and a 3-tiered review, with standard procedures and subsequent tiers triggered by red flags.

NCUA provided the following table defining the scope of FCU exams in 2015:

Asset size	CAMEL rating	Type of exam
Less than $30 million	1, 2, and 3	Defined-scope examination.
	4 and 5	Defined-scope examination, at a minimum, plus additional reviews as necessary to appropriately supervise the risk.
$30–50 million	1, 2, and 3	Region has discretion to choose a defined-scope examination or a risk-focused examination. (However, newer examiners will be limited to conducting only defined-scope examinations.)
	4 and 5	Risk-focused examination.
More than $50 million	All	Risk-focused examination, ensuring examination scope requirements are met.

Lending Programs

NCUA also reminds credit unions to reference its 2010 guidance on specialized lending.