August 17, 2026

Mr. Amol Vaidya
Executive Secretary
Federal Financial Institutions Examination Council
L. William Seidman Center
Mailstop: E-2035-c
3501 Fairfax Drive
Arlington, VA 22226-3550

Re: Federal Financial Institutions Examination Council Request for Comment on Proposed Revisions to the Uniform Financial Institutions Rating System (Docket ID OCC-2026-0562)

Dear Mr. Vaidya:

On May 19, 2026, the Federal Financial Institutions Examination Council (FFIEC) issued a request for public comment[1] on revisions to the Uniform Financial Institutions Rating System (UFIRS), commonly known as CAMELS. That same day, Charles Cooper, Commissioner of the Texas Banking Department and Chairman of the FFIEC State Liaison Committee (SLC), issued a statement on behalf of the SLC[2] supporting the release of the revised CAMELS framework for public comment and noting critical considerations for any final CAMELS proposal, particularly the importance of a properly calibrated management rating.

On behalf of the Conference of State Bank Supervisors (CSBS),[3] National Association of State Credit Union Supervisors (NASCUS),[4] and American Council of State Savings Supervisors (ACSSS)[5] (collectively, state supervisors), we write to support the position of the SLC and encourage the FFIEC to maintain a durable CAMELS framework that will serve as a foundational safeguard for our dual chartering system for years to come.

For half a century, the CAMELS system has provided a common baseline for federal and state supervisors to assess the safety and soundness of United States financial institutions and to communicate those findings consistently following an examination.[6] Over that period, the CAMELS framework has been

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[1] FFIEC, Notice and Request for Comment, *Uniform Financial Institutions Rating System*, 91 Fed. Reg. 29128 (May 19, 2026) ("FFIEC RFC").

[2] SLC, *FFIEC SLC Chairman Charles Cooper Statement on CAMELS update* (May 19, 2026) ("SLC Statement").

[3] CSBS is the nationwide organization of state banking and financial regulators from all 50 states, the District of Columbia, and the U.S. territories. The views presented in this letter may not reflect the policy of individual states.

[4] NASCUS is the professional association of the nation's 45 state and territorial credit union regulatory agencies that charter and supervise 1,688 state credit unions. Our mission is to forge a vibrant dual charter system by promoting a relevant, growth-oriented, and healthy state charter option. NASCUS's membership includes state regulatory agencies, state-chartered and federally-chartered credit unions, and other important stakeholders in the state system. State-chartered credit unions hold half of the nearly $2.46 trillion assets in the credit union system and are proud to represent nearly half of the more than 145 million credit union members.

[5] ACSSS is the national professional association of state-chartered savings institution regulators.

[6] *See* Federal Financial Institutions Examination Council Act of 1978, 12 U.S.C. 3301 *et seq.*; FFIEC, Circular No. 79–191 (Nov. 29, 1979) ("Uniform Rating System").

significantly revised only once – adding sensitivity to market risk as a component rating in 1996, along with certain other changes.[7]

Our financial system has evolved dramatically over these years, and it is appropriate to routinely revisit regulatory and supervisory frameworks, such as CAMELS, to ensure that they reflect current risks and an appropriate balancing of expectations based on the size, complexity, and business model of individual financial institutions. It is equally vital that we maintain the stability of these frameworks, avoiding dramatic alterations in supervisory requirements that, without clear safety and soundness benefits, can undermine operational certainty and add needless compliance burden for institutions. To achieve this durability, our regulatory guardrails must be fair and transparent, ensuring accountability for both supervisors and supervised institutions.

At its core, the FFIEC's proposed CAMELS framework meets these high standards. It increases the system's focus on material financial risks across individual components and in an institution's composite rating. Critically, it also retains appropriate requirements for assessing the management of financial institutions, including any significant weaknesses in governance, risk management, or legal and regulatory compliance.

As the SLC noted in its statement, "it is vital that this balanced approach be maintained in the final CAMELS framework."[8] Significant weaknesses in an institution's governance and risk management, including factors such as cybersecurity, information technology, legal and regulatory compliance, and other operational risks, can "undermine the safety and soundness of an institution, harm consumers, and lead to distressed situations."[9] Early identification and mitigation of significant management risks must remain a core focus of federal and state supervision and be clearly reflected in an institution's management and composite ratings.

Compliance with state and federal laws and regulations must also remain a foundational element of the CAMELS management component. Failure to comply with these obligations is a management weakness that must be captured in the CAMELS component and composite ratings. It is vital that federal and state supervisors continue to identify and direct mitigation of significant violations of these laws in examination reports. A failure to do so would undermine federal and state law, place financial stability and consumer protection at risk, and send a mixed signal about the importance of legal and regulatory compliance to financial institutions. State supervisors are pleased that the proposed CAMELS framework continues to recognize "significant noncompliance with law or regulation" as a factor in management downgrades, including component ratings downgrades of 3 or worse.[10]

Reports of Examination, and associated CAMELS ratings, are a vital component of supervisory communications with financial institutions. The early identification of financial, legal and compliance,

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[7] *See* FFIEC, Notice, *Uniform Financial Institutions Rating System*, 61 Fed. Reg. 67021 (Dec. 19, 1996); FFIEC, Notice and Request for Comment, *Uniform Financial Institutions Rating System*, 61 Fed. Reg. 37472 (July 18, 1996).
[8] *See* SLC Statement, *supra* note 2.
[9] *Id.*
[10] *See* FFIEC RFC, *supra* note 1, at 29130 ("Institutions that have unreliable financial or regulatory reporting, have failed to safeguard assets, or are in significant noncompliance with law or regulation may also be assigned a Management component rating of 3 or worse."); *see also id.* at 29131 (The proposal would clarify that these specialty review findings would influence the CAMELS composite and component ratings to the extent that the findings impact a financial institution's overall financial condition, represent material financial risks, *or reflect significant noncompliance with laws and regulations*." (emphasis added)).

governance, and operational risks in the supervisory process can provide institution management with the opportunity to intervene and mitigate these risks earlier, more effectively, and prior to significant harm to consumers or financial stability. Our members regularly hear from their supervised financial institutions, particularly smaller community banks and credit unions, that the identification and discussions of risk in the examination process provide valuable insight to management and boards of directors. It is vital that the final CAMELS framework preserves the tools and discretion necessary for both state and federal examiners to have conversations with boards and management about all significant risks affecting an institution. It is equally important that state and federal examiners are appropriately trained to effectively and consistently implement the revised CAMELS framework, providing critical additional transparency and accountability to financial institutions.

We appreciate the support of the FFIEC in maintaining CAMELS as a robust protection against material financial and significant management risks in our financial system. A final CAMELS framework that meets these standards will support the vitality of the dual chartering system for years to come.

Sincerely,

-signatures redacted for electronic publication -

Brandon Milhorn
President and CEO
CSBS

Brian Knight
President and CEO
NASCUS

Greg Gonzales
Commissioner, Tennessee Department of Financial Institutions
Chair, ACSSS Board of Directors