

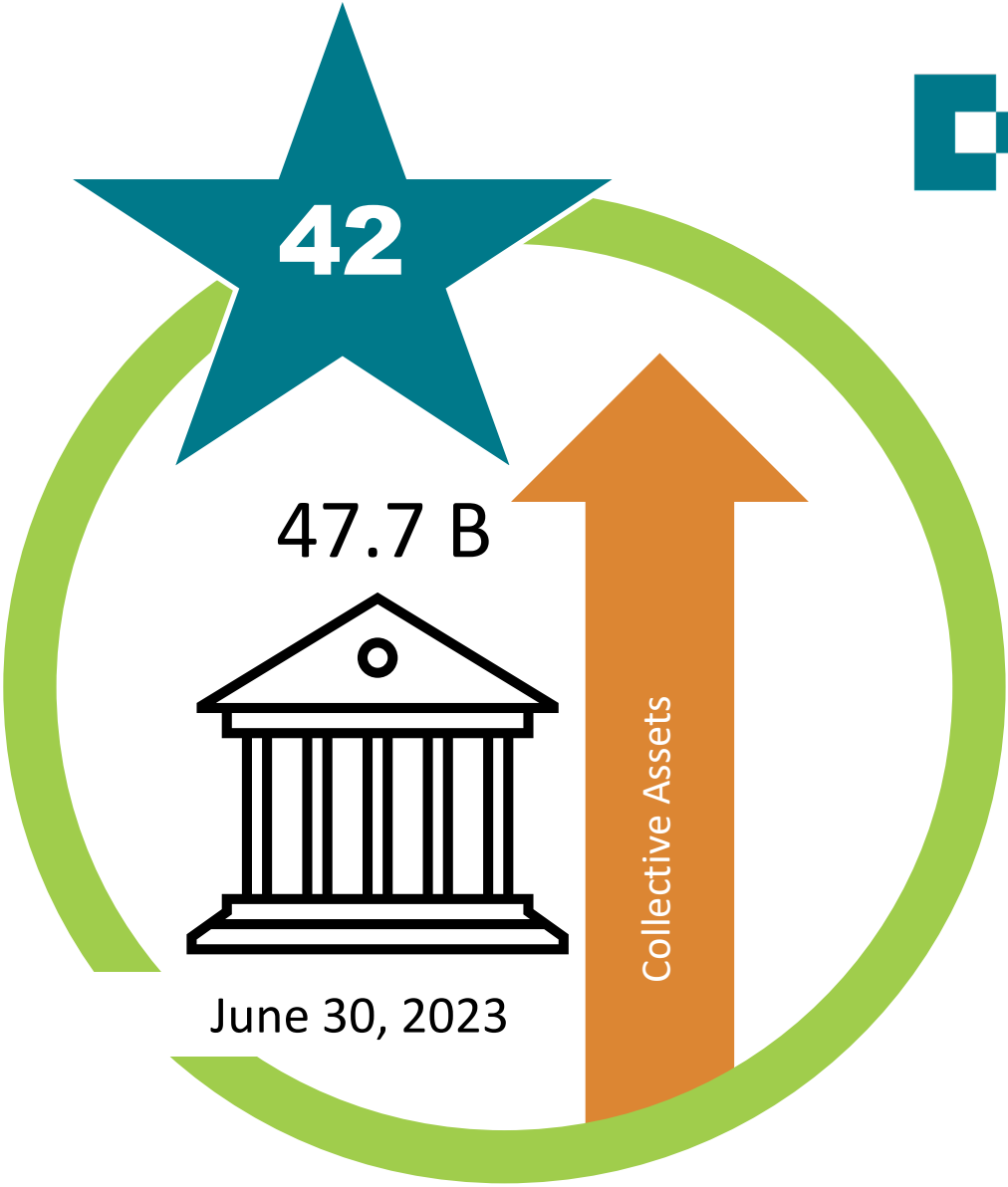
2024 NCUA Supervisory Priorities

ACUARP Webinar



March 20, 2024 | www.pbmares.com

Did You Know?



Credit Union with assets greater than \$500 million with Camel 3 Ratings

What is an NCUA Supervisory Priority?



2024 Supervisory Priorities

- ✓ Credit Risk
 - ✓ Liquidity Risk
 - ✓ Consumer Financial Protection
 - ✓ Information Security (Cybersecurity)
 - ✓ Interest Rate Risk (IRR)
-
- ✓ Other Updates
 - ✓ Bank Secrecy Act (BSA) Compliance
 - ✓ Support for Small Credit Unions and Minority Depository Institutions



Major overall changes from 2023 to 2024

Additions

- Indirect Auto lending - Consumer Financial Protection Focus Area
- Allowance for Credit Loss [ACL] *(upgraded from other update to a priority)*
- BSA back as an “Other Update”

Removals

- Fraud Prevention and Detection
- Truth in Lending Act and Fair Credit Report Act - Consumer Financial Protection Focus Areas
- Other Updates
 - Succession Planning
 - Post-Examination Survey

Polling Question

Credit Risk

Continued Focus Points

- Credit risk management and mitigation factors
- Loan underwriting standards
- Portfolio monitoring
- Workout strategies for borrowers

New Focus Points

- Allowance for Credit Loss (ACL)
 - Review policies and procedures
 - Documentation of methodology
 - Adequacy of ACL reserves



Liquidity Risk

Continued Focus Points

- Comparing current and prospective sources of liquidity to funding needs
- Review policies, procedures, risk limits
- Liquidity Risk Management Framework

New Focus Points

- Contingency funding
- Forecasting assumptions
- Forward-looking cash flow projections

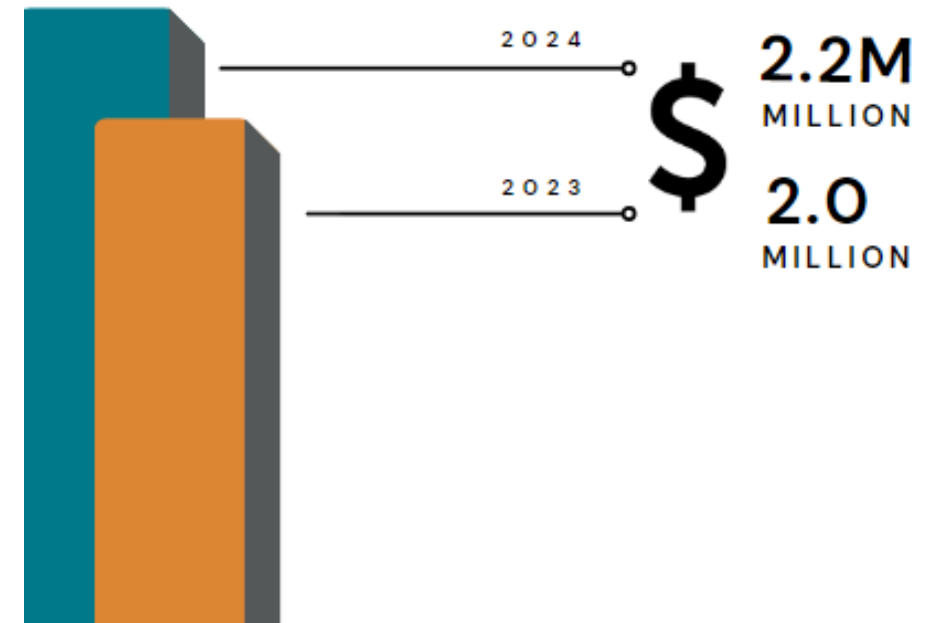


Liquidity Risk

Examiner's Evaluation Points

- Effects of changing interest rates
- Scenario analysis
- Cost of funding sources under normal and stressed conditions (NEW)
- Diversity of funding sources under normal and stressed conditions (NEW)
- Appropriateness of contingency funding

NCUA BUDGET



For operating and maintenance costs of the ALM system

Consumer Financial Protection Topics

- Auto Lending
- Fair Lending
- Overdraft Protection Program



Consumer Financial Protection – Auto Lending

Continued Lending Focus Points

- Loan Disclosure – Truth in Lending Act (TILA)
- Flood Insurance

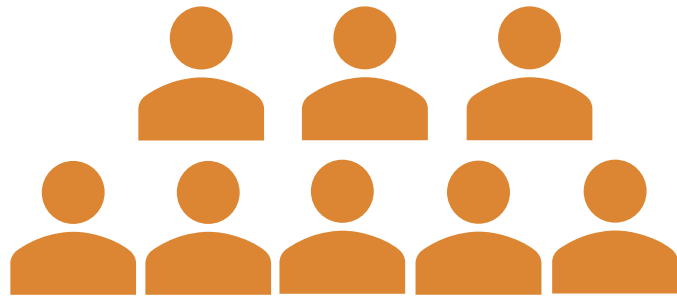
New Lending Focus Points (NEW)

- Indirect auto loans
- Guaranteed Asset Protection

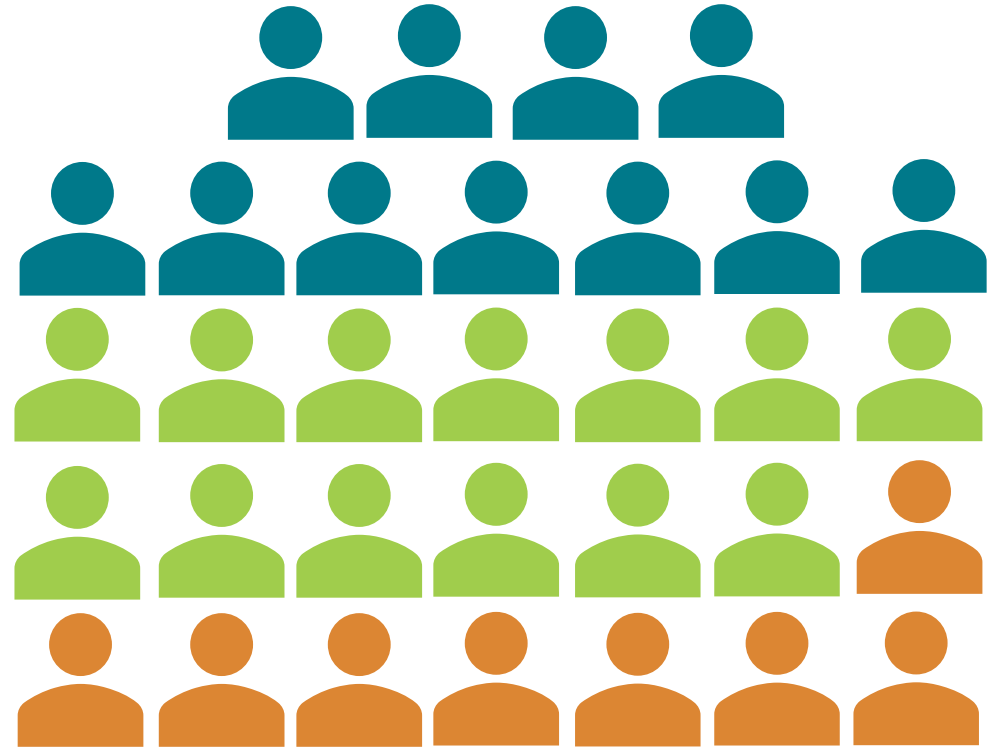


Consumer Financial Protection – Fair Lending

- Policies and Procedures
- Redlining
- Marketing Discrimination
- Pricing Discrimination



2023



2024

- Policies and Procedures
- Website Advertising
- Balance Calculations
- Settlement Process
- Junk Fees

Polling Question

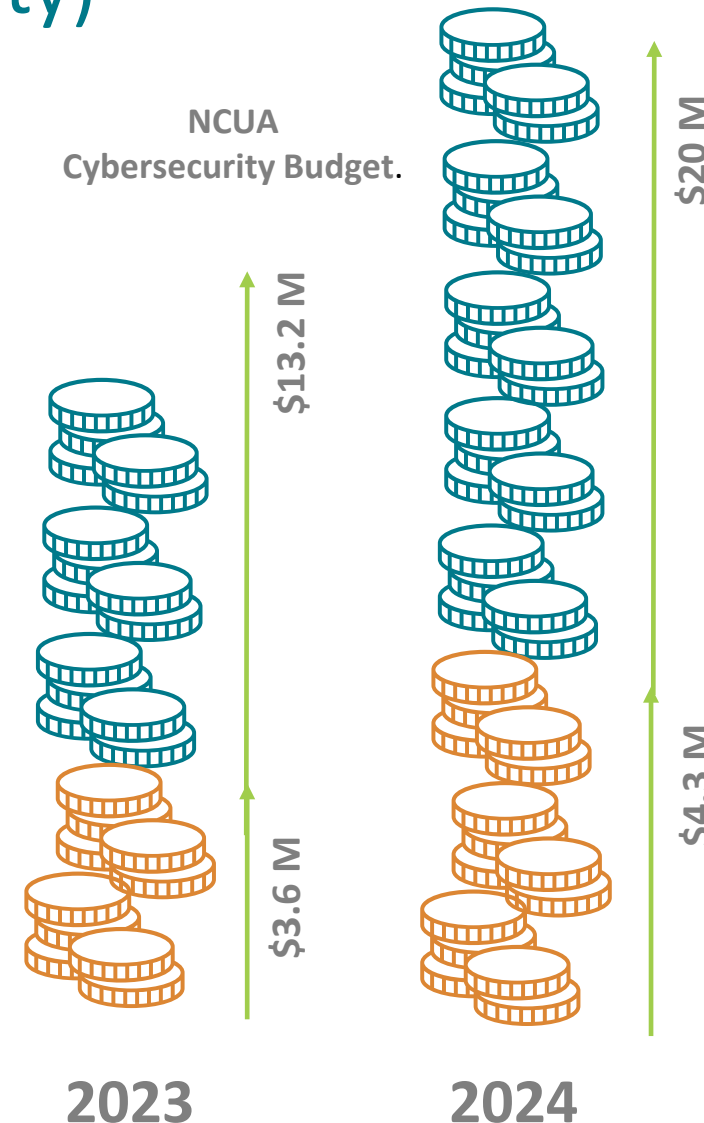
Information Security (Cybersecurity)

Continued Focus Points

- Robust Information Security Program
- Enhance ability to respond to evolving cyber threats
- Voluntary Self Assessments

New Focus Points

- Timeline of Reporting Cyber Incidents
 - Updating response plans
 - Reviewing third-party contracts
 - Training employees
 - Monitoring and documenting incidents



Ransomware attack causes outages at 60 credit unions, federal agency says



By Sean Lyngaas, CNN

🕒 2 minute read · Updated 11:40 AM EST, Mon December 4, 2023

Source: [cnn.com](https://www.cnn.com)

News

Days Into Ransomware Attack, Many CUs Remain 'Non-Operational'

NCUA says it is continuing to work with credit unions impacted by the outages.

By Michael Ogden | December 04, 2023 at 03:00 PM

Source: [cutimes.com](https://www.cutimes.com)

CYBERATTACK

Cybercriminals conduct ransomware attack, causing outages at 60 credit unions, federal agency says



Saturday, December 2, 2023



Source: [abc7chicago.com](https://www.abc7chicago.com)

Interest Rate Risk

- Manages IRR proactively
- Risk Management and Control Activities
 - Key assumptions documented
 - IRR exposure is measured
 - Communication to the Board
 - Proactive action
 - Back testing (NEW)
 - Sensitivity testing (NEW)

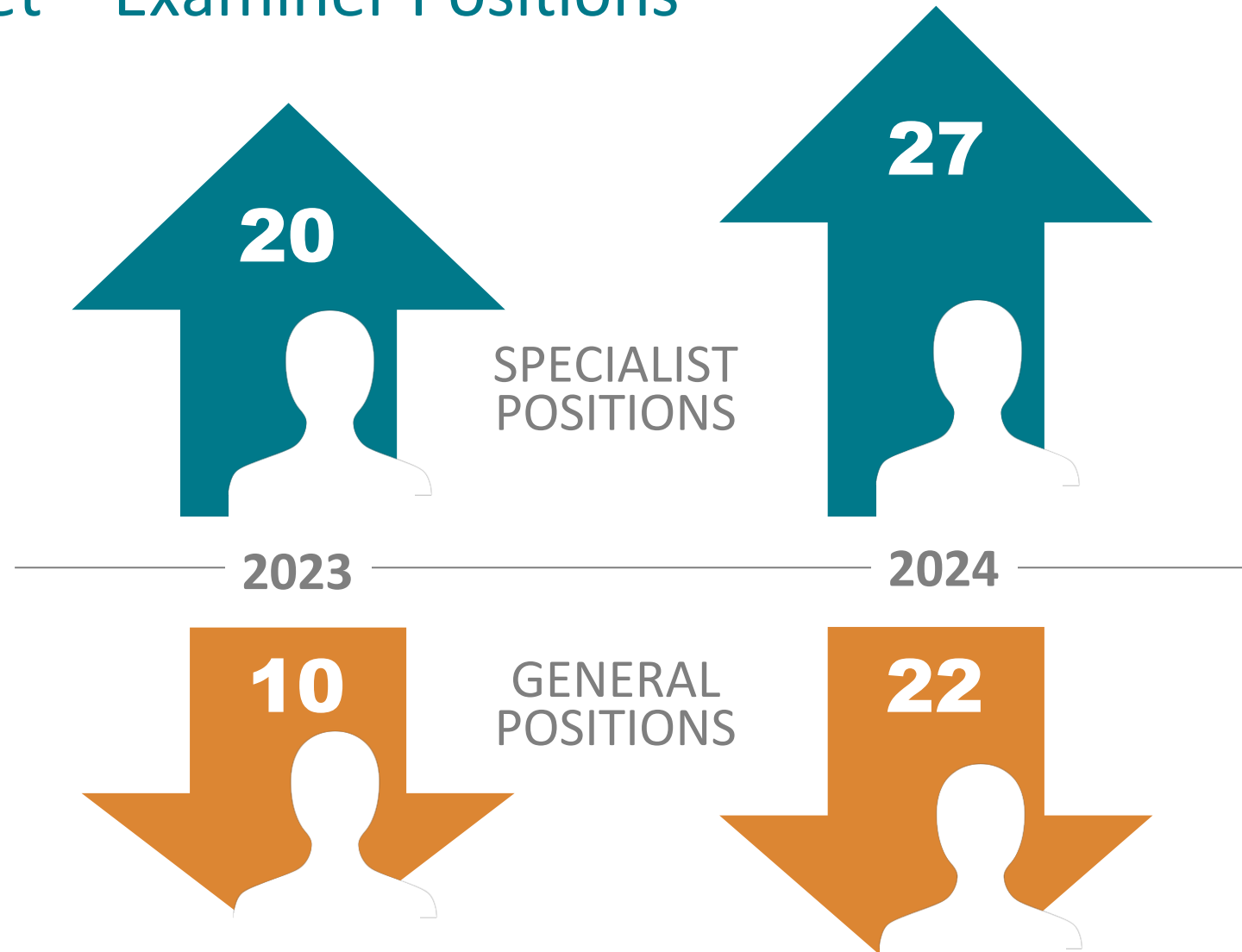


Polling Question

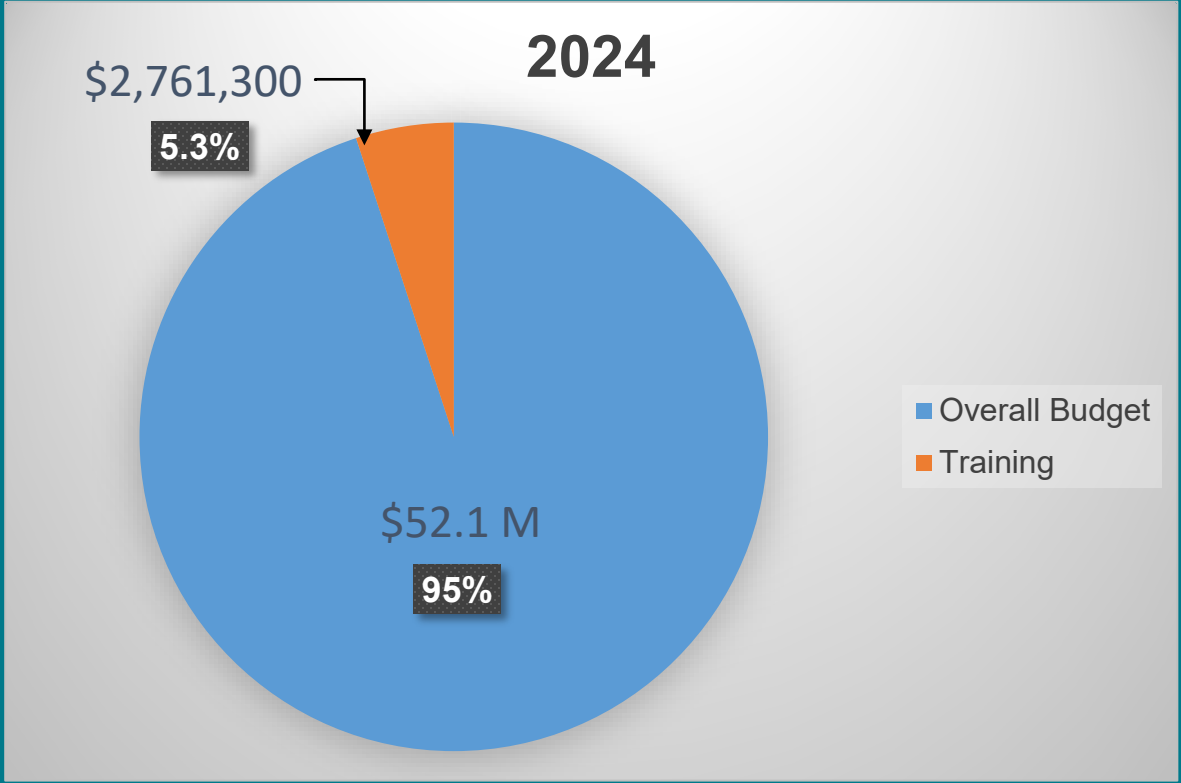
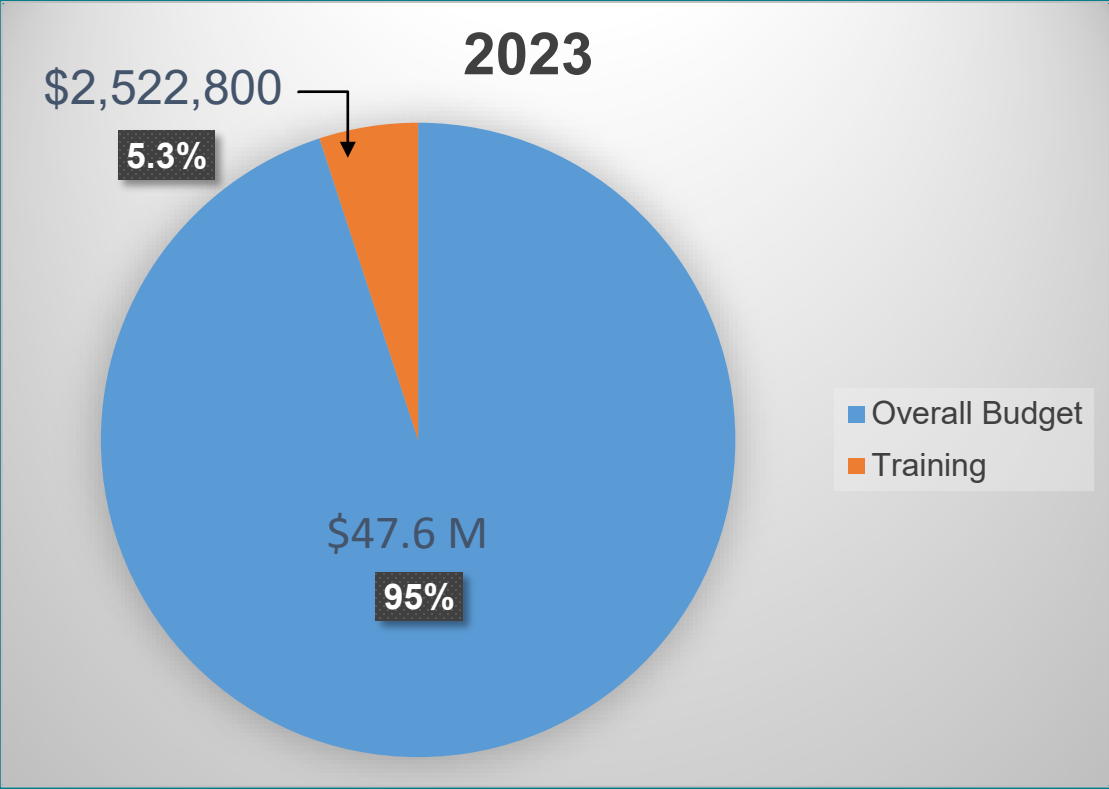
Other Updates – BSA is Back!



NCUA Budget – Examiner Positions



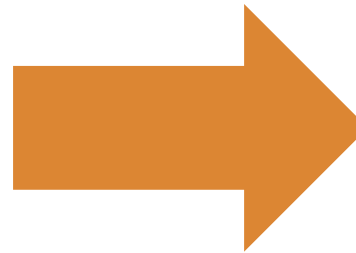
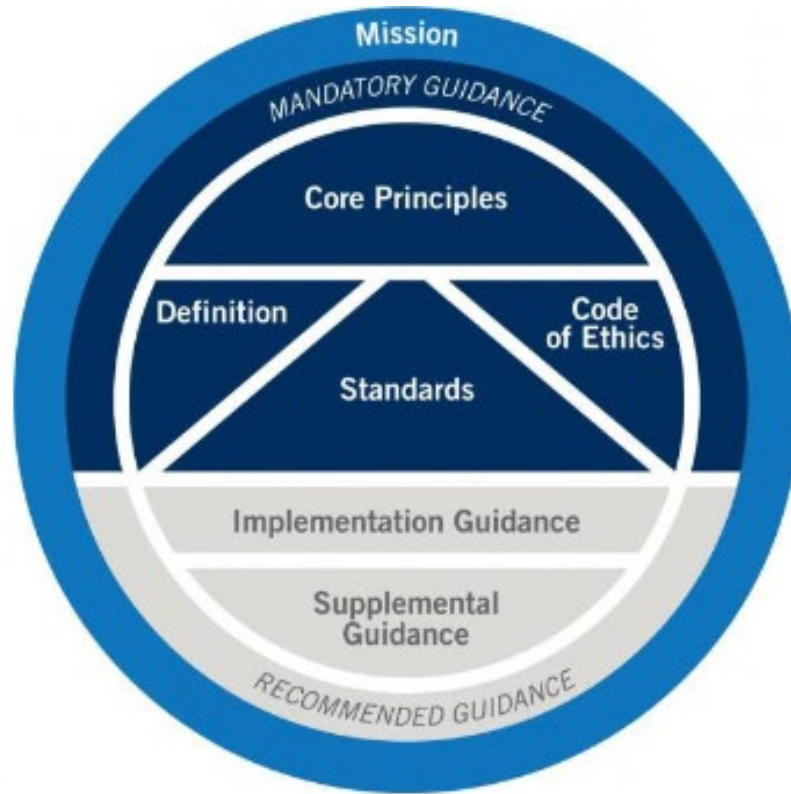
NCUA Training Budget – Contracted Services



GAAP vs. IIA Standards



Institute of Internal Audit Standard Changes



International Professional Practices Framework

Emphasis Points on New IIA Standards

- Emphasizing the importance of internal audit
- Board and Senior Management support
- Advisory requirements
- Internal audit strategy
- Relationship building
- Communication
- Performance measurement
- Topical Requirements

Questions



Contact



William "JJ" Edmunds, Jr.
CPA, CIA, CISA, MSA
Partner, Risk Advisory

wedmunds@pbmares.com

804.977.5059



Carley Vaughn
CPA, CIA
Risk Advisory Senior

cevaugh@pbmares.com

703.364.5219



www.PBMares.com

Regulatory Guidance

- **Credit Risk**

- [Letter to Credit Unions 23-CU-05 Commercial Real Estate Loan Accommodations and Workouts \(NEW\)](#)
- [Letter to Credit Unions 23-CU-04 Update to Interagency Policy \(NEW\)](#)
- [Examiner's Guide](#)
- [Letter to Credit Unions 10-CU-03, Concentration Risk](#)
- [Letter to Credit Unions 14-CU-08, Home Equity Lines of Credit Nearing Their End-of-Draw Period](#)
- [Press Release, Agencies Issue Interagency Policy Statement on Allowances for Credit Losses and Interagency Guidance on Credit Risk Review Systems](#)
- [Letter to Credit Unions 03-CU-01, Loan Charge-off Guidance](#)

Liquidity Risk

- [Letter to Credit Unions 23-06, Importance of Contingency Funding Plans \(NEW\)](#)
- [Examiner's Guide](#)
- [Liquidity Risk Resources](#)
- [The Electronic Code of Federal Regulations – 741.12 Liquidity and contingency funding plans](#)

Regulatory Guidance

- Information Security (Cyber Security)
 - [NCUA Letter to Credit Unions 23-CU-07, Cyber Incident Notification Requirements \(NEW\)](#)
 - [Appendix B to Part 748 – Guidance on Response Programs for Unauthorized Access to Member Information and Member Notice \(NEW\)](#)
 - [Information Security Examination Procedures](#)
 - [Automated Cybersecurity Evaluation Toolbox](#)
 - [Cybersecurity Resources](#)
- Interest Rate Risk
 - [Letter to Credit Unions 22-CU-09, Updates to Interest Rate Risk Supervisory Framework](#)
 - [Supervisory Letter 22-01, Updates to Interest Rate Risk Supervisory Framework](#)
 - [Examiner’s Guide](#)
- BSA
 - [NCUA’s Bank Secrecy Act Resources](#)