



NCUA
National Credit Union Administration

League of Southeastern Credit Unions Small Asset Credit Union Conference

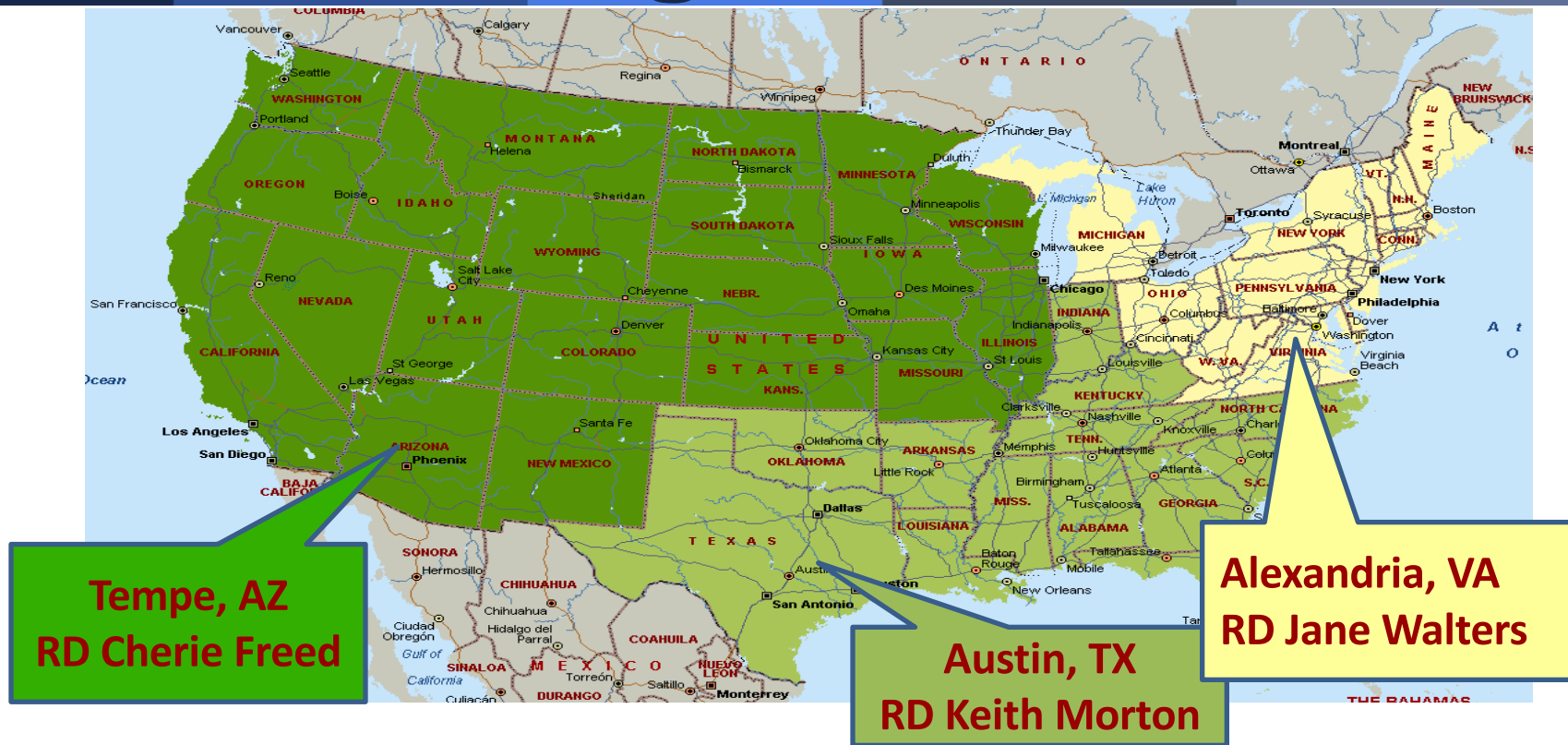
May 2019

Agenda

- Organizational Changes
- Credit Union Statistics
- Examination Process
- 2019 Supervisory Priorities



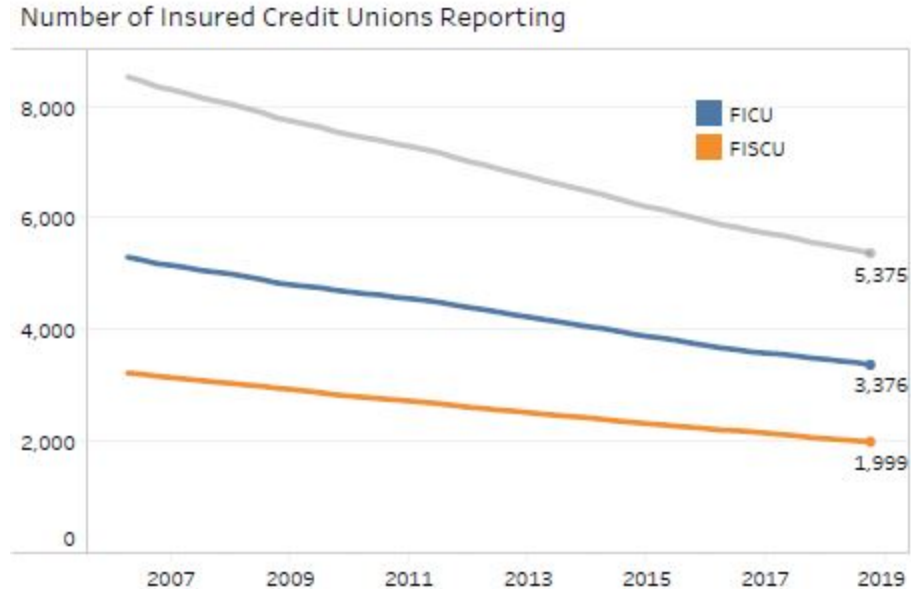
Regional Realignment for 2019



CREDIT UNION STATISTICS



Recent Credit Union Trends



Key Statistics Nationwide

FICUs	2015	2016	2017	2018
# of FICUs	6,021	5,785	5,579	5,375
Total Assets	\$1.2 Trillion	\$1.3 Trillion	\$1.4 Trillion	\$1.5 Trillion
Avg. Asset Size	\$200 Million	\$223 Million	\$247 Million	\$270Million
Net Worth (%)	10.92%	10.86%	10.95%	11.30%
ROAA (%)	0.75%	0.76%	0.78%	0.92%
Delinquent Loans/ Total Loans (%)	0.81%	0.83%	0.81%	0.71%
Membership Growth (%)	3.46%	4.04%	4.21%	4.38%



Key Statistics Alabama

AL FICUs	2015	2016	2017	2018
# of FICUs	113	113	111	108
Total Assets	\$19.9 Million	\$21.0 Million	\$21.8 Million	\$22.2 Million
Avg. Asset Size	\$176 Million	\$186 Million	\$197 Million	\$206 Million
Net Worth (%)	11.53%	11.49%	11.72%	12.28%
ROAA (%)	0.61%	0.60%	0.72%	0.79%
Delinquent Loans/ Total Loans (%)	0.87%	0.87%	0.80%	0.76%
Membership Growth (%)	1.89%	1.43%	1.42%	3.75%



Examination Process



Changes in Examinations

- New Exam System
- Virtual exam concepts



Changes in Examinations

- Extended Exam Cycle for most credit unions
- Wrapping up pilot of “Flex” exam procedures



Changes in Examinations

- Piloting alternating exams with SSAs



2019 Supervisory Priorities



2019 Supervisory Priorities

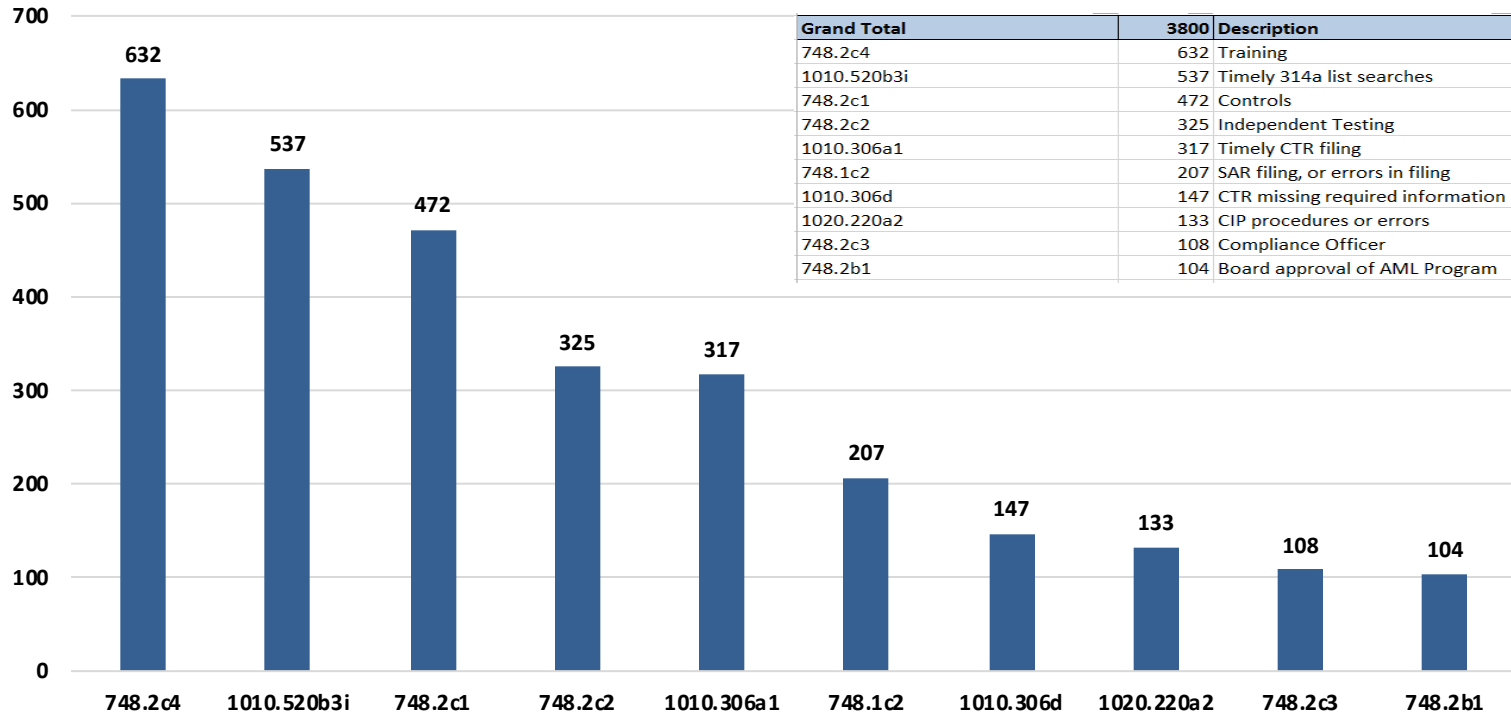
- **Bank Secrecy Act Compliance**
- **Concentrations of Credit**
- **Consumer Compliance**
- **CECL**
- **Information Systems and Assurance**
- **Liquidity and Interest Rate Risk**

Bank Secrecy Act Compliance

- Examiners will perform more in-depth BSA reviews;
 - New Customer Due Diligence Regulations, effective May 11, 2018
 - Strengthen and codify CDD requirements
 - Customer Due Diligence and Beneficial Owner concepts have existed in guidance (FFIEC BSA/AML Examination Manual) for years
 - New CDD Questionnaire
- Must develop and implement appropriate risk-based procedures for conducting ongoing customer due diligence

Most Common BSA Violations

Top 10 BSA Violations



Concentrations of Credit

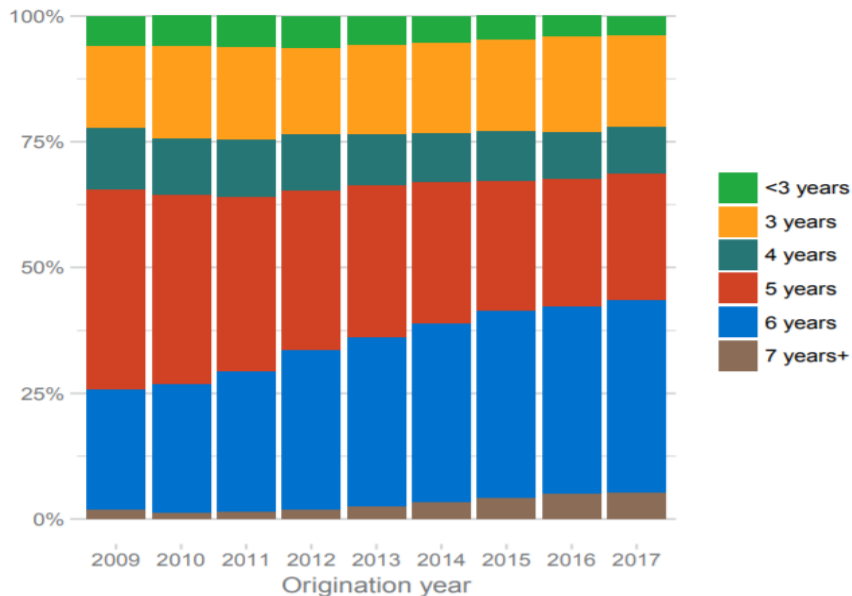
- Large concentration of loan products
- Common cause of financial losses
- Mitigate Risk
- NCUA Letter to Credit Unions, 10-CU-03



Credit Risk – Auto Lending

CFPB Report Finds Sharp Increase in Riskier, Longer-Term Auto Loans

FIGURE 1: DISTRIBUTION OF LOAN TERMS BY ORIGINATION YEAR



Consumer Compliance

- Continued focus on Military Lending Act (MLA) compliance



Consumer Compliance

- Regulation B: Determine compliance with notification requirement following adverse action taken on consumer credit applications
- Regulation E: Review overdraft policies and procedures for compliance



Consumer Compliance

- Current Expected Credit Losses (CECL)
 - Financial Accounting Standards Board New Standard June 2016
 - Effective January 1, 2022

Information Systems and Assurance

- Two additional supervisory focuses:
 - Assessment of credit union IT risk management
 - Oversight of service provider arrangements

Liquidity and Interest Rate Risk

- Examiners will assess the following:
 - Effects of rising interest rates on the market value of assets that affect changes to net worth and borrowing capacity
 - Member preference shifts to shares with more market sensitivity
 - Credit union management's ability to meet liquidity needs given the increased competitive pressure that affect share balances

Questions and Answers

