



**NCUA**  
National Credit Union Administration

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Office of Examination and Insurance  
Policy Division

# Supervisory Insights

Patterns, Priorities, and  
Partnership

November 3, 2023



# Christel Orusede

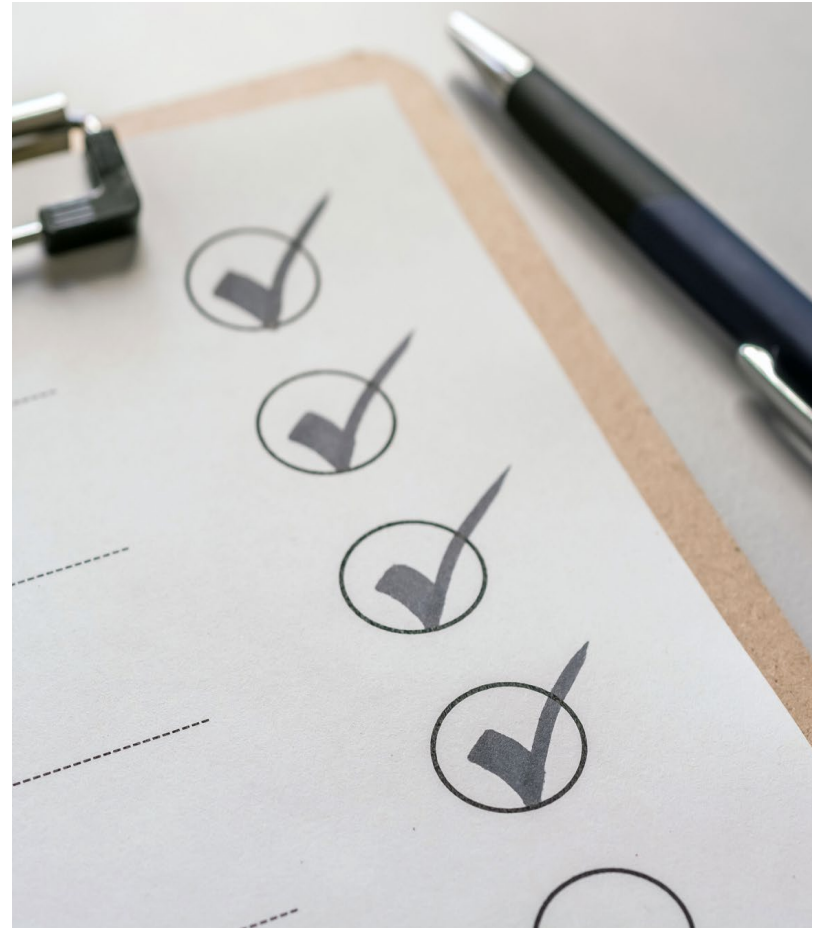
*Policy Officer,*

*NCUA Office of Examination  
and Insurance*

*Any opinions expressed are my own and do not necessarily reflect those of the National Credit Union Administration or the NCUA Board.*

# Agenda

- Exam Patterns
- Supervisory Priorities
- Exam Partnership
- Future Predictions
- Discussion





# EXAM PATTERNS

# FICU Industry

As of June 30, 2023

## General Industry Statistics

Federally Insured Credit Unions:	4,686
Members:	137.7 million
Total Assets:	\$2.22 trillion
Average Credit Union Assets:	\$473 million
Return on Average Assets:	79 basis points
Total Insured Shares and Deposits:	\$1.72 trillion
Net Income (Year-to-Date, Annualized):	\$17.4 billion
Net Worth Ratio:	10.63%
Average Shares per Member:	\$13,632
New Federal Charters Granted (YTD):	2

## Loans

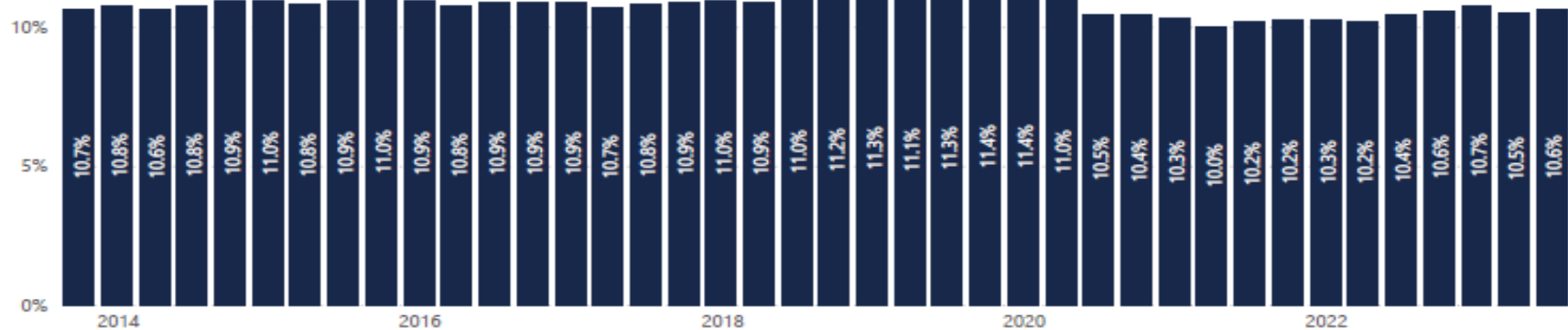
Total Loans:	\$1.56 trillion
Average Loan Balance:	\$17,511
Loan-to-Share Ratio:	83.2%
Mortgages/Real Estate:	52.8%
Auto Loans:	31.9%
Unsecured Credit Cards:	4.9%
Delinquency Rate:	63 basis points

# FICU Net Worth Trends

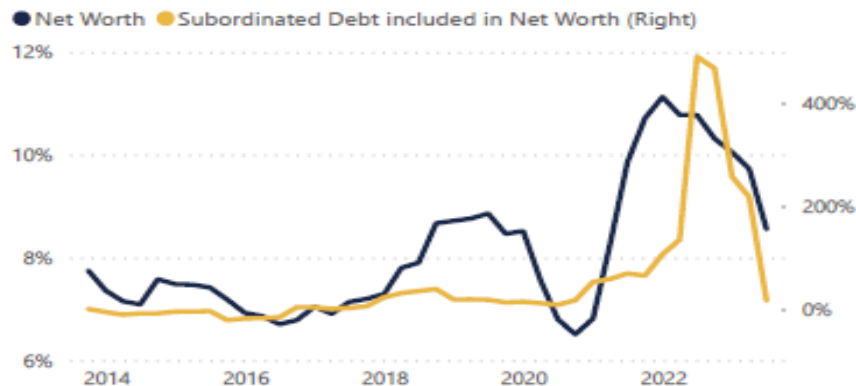
As of June 30, 2023

## Net Worth

Aggregated Net Worth Ratio



## Net Worth and Subordinated Debt included in Net Worth Growth (YoY)



## Distribution of Net Worth Ratio

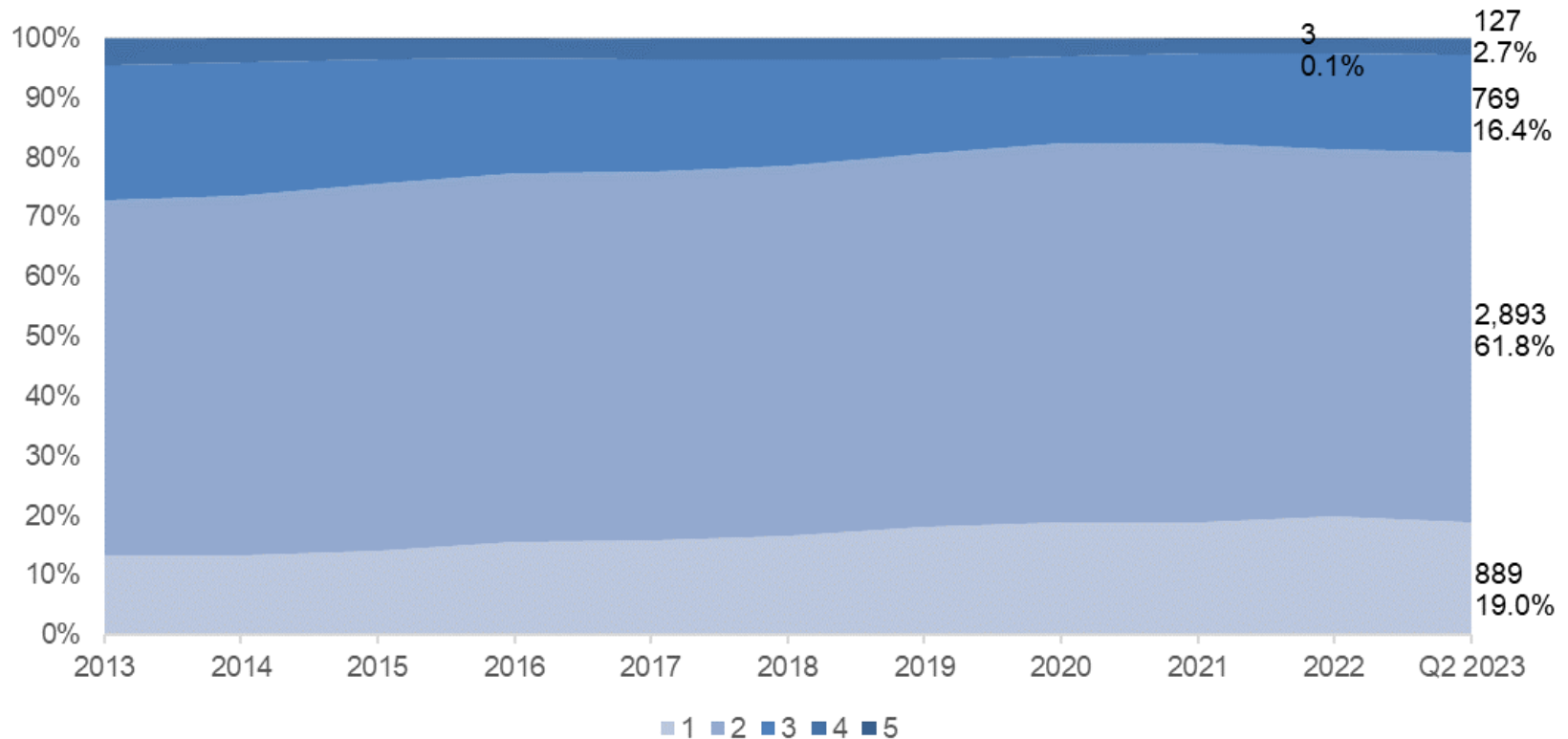
NW Group		2019 12	2020 12	2021 12	2022 12	2023 06
>7%	Count	5,160	4,946	4,732	4,620	4,588
	Percent	98.5%	97.0%	95.8%	97.1%	97.9%
6% to 7%	Count	38	104	167	107	73
	Percent	0.7%	2.0%	3.4%	2.2%	1.6%
4% to 6%	Count	31	38	37	28	21
	Percent	0.6%	0.7%	0.7%	0.6%	0.4%
2% to 4%	Count	4	7	4	3	3
	Percent	0.1%	0.1%	0.1%	0.1%	0.1%
0% to 2%	Count	2	2	2	2	1
	Percent	0.0%	0.0%	0.0%	0.0%	0.0%
<0%	Count	1	2			
	Percent	0.0%	0.0%			

Supervisory Insights: Patterns, Priorities and Partnership

# CAMELS Ratings

All FICUS as of June 30, 2023

## Number & Proportion of Credit Unions, by CAMELS Ratings





# **2023 SUPERVISORY PRIORITIES**



# Supervisory Priorities



- Interest Rate Risk
- Liquidity Risk
- Credit Risk
- Fraud Prevention
- Information Security
- Consumer Financial Protection

# Other Updates

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- **Current Expected Credit Loss**
- **Small Credit Union & Minority Depository Institution Support**
- **Succession Planning**
- **Post-Examination Survey**

# EXAM PARTNERSHIP

# Relationship Strategies

- Build
- Collaborate
- Prepare



# Build

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- **Be proactive in communication**
- **Be transparent in your dealings**
- **Be willing to work with NCUA**

# Collaborate

- **Foster relationships**
  - Regulators
  - Stakeholders (board, management)
- **Establish a regular dialogue**
  - Regulators
  - Stakeholders (board, management)
- **Respond to requests for information**
- **Inform regulators of changes**

# Prepare

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- Review NCUA's online manuals
- Conduct a self-assessment
- Remediate weaknesses
- Gather documentation

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# FUTURE PREDICTIONS



# Banking 2.0(24)

- Regulatory Updates
- Technology
- 2024 Predictions



# Regulatory Review Process



# Regulatory Review Cycle

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- **Annual Review Process**
- **Rolling Review Schedule**
- **Public Involvement**
- **Predicting Regulatory Changes**

# Regulatory and Policy Updates

- **Financial Innovation: Loan Participations, Eligible Obligations, and Notes of Liquidating Credit Unions**
  - Amends the NCUA's rule regarding loans to members and lines of credit to members by adding new provisions about indirect lending and indirect leasing arrangements.
  - Provides additional flexibility for federally insured credit unions to make use of advanced technologies and opportunities offered by the fintech sector.
  
- **Interagency Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts**
  - Updates existing joint guidance on commercial real estate loan workouts including a new section on short-term loan accommodations
  - Addresses relevant accounting standard changes on estimated loan losses

# Regulatory and Policy Updates

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- **Interagency Quality Control Standards for Automated Valuation Models**
- **Interagency Guidance on Reconsiderations of Value of Residential Real Estate Valuations**



# 2024 Supervisory Predictions

- Cybersecurity
- Interest Rate and Liquidity
- Fraud
- Credit Risk



# Cybersecurity Predictions

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## Multifaceted Threats

- Advanced Persistent Threats (APTs)
- Ransomware
- Third-Party/Supply Chain Compromises
- Nation-State Sponsored Espionage
- Cybercriminal Exploitation
- Geopolitical Tensions



# Interest Rate & Liquidity Predictions

## Interest Rate Risk

- Key assumptions and related data sets
- Overall level of IRR exposure
- FICUs take proactive action

## Liquidity Risk

- Current and prospective sources of liquidity compared to funding needs
- Liquidity policies, procedures, and risk limits
- Adequacy of liquidity risk management framework

# Fraud Predictions

## Examiners will:

- Pay close attention to internal controls and separation of duties
- Understand the different risks in smaller vs. larger credit unions
- Refine the exam scope based on a variety of factors and information

# Credit Predictions

**Risk management practices of new and existing lending programs, including:**

- Loan underwriting adjustments
- Portfolio monitoring practices
- Modification and workout strategies for borrowers
- Collection programs

# What Did I Miss?

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# Questions / Comments

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