



# NCUA

National Credit Union Administration

## CREDIT UNION SERVICE ORGANIZATION REVIEW REPORT

Name of CUSO

Date

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Prepared by:

**National Credit Union Administration**

Reviewer in Charge: PE/PCO/Specialist's Name

**The State of XXX** (as applicable)

Reviewer in Charge: SSA Examiner's Name

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## Review Summary

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*The RIC can exercise their discretion as to how the narrative of this review summary is structured in the final report package. The narrative below is only a suggested format.*

### **Review Purpose, Source, Scope, Approach, and Format**

#### **Purpose**

The purpose of this (joint) CUSO review was to determine the level of risk to federally insured credit unions investing in, lending to, or obtaining services from XYZ, LLC (XYZ) credit union service organization (CUSO).

Specifically, the review was designed to determine if the CUSO is providing services to federal and state chartered natural person credit unions in accordance with statutory and regulatory requirements specified in: the Federal Credit Union Act; NCUA rules and regulations; and (specify other requirements and guidelines based on the type of CUSO reviewed). In addition, we designed the review to provide specific recommendations to address any regulatory concerns, share insurance fund related matters or other areas of concern identified during our contact.

XYZ is a (Wholly Owned) CUSO (or a CUSO with ownership held by multiple Credit Unions or individuals owners). Since the CUSO is owned (in whole or in part) by natural person credit unions, we evaluated the CUSO under Part 712, NCUA rules and regulations. However, the primary focus of the review was to determine the risk associated with the products and services provided by XYZ to natural person credit unions.

#### **Source**

The review had an effective date of XXXXXX 31, 20XX; however, we considered all subsequent and material operational and financial information available at the time of our review.

Review results were based on information provided to examiners and specialists by CUSO officials and staff during the on-site review.

NCUA examiners and specialists participating in the review were:

PCO XXXX XXXXX, NCUA Reviewer-in-Charge  
Principal Examiner (PE) XXXX, SL-SME  
Regional Lending Specialist XXXX XXX

Also participating in the review were:

Examiner XXXX XXXXXX from the State of XXX-Banking Department  
Examiner XXXXXX XXXXX from the Commonwealth of XXX- Division of Banks

#### **Scope**

The general scope of our review included an assessment of the CUSO's:

- Organizational structure, management processes, and business planning activities
- Overall financial and operational position
- Ability to provide (product or services depending on CUSO type) and other services to credit unions in accordance with NCUA rules and regulations, federal lending directives/guidelines, contractual provisions, and sound business practices
- Compliance with applicable federal law, regulations and state statutes
- Internal/external controls processes and related business activities

We would like to thank XYZ management and staff for their cooperation and professionalism during the review.

### **Review Approach and Report Format**

We used a risk-based approach for the review. This approach focuses on (seven) risk areas; their impact on the CUSO, as well as credit unions owned and serviced by XYZ. The risk areas include: (Credit; Strategic; Interest Rate; Liquidity; Transaction; Compliance; and Reputation risk, as applicable)

This report is divided into the following (four or X number of) main sections.

Review Summary	Includes CUSO background and organization information; summarizes the seven risk areas, the degree of risk; and outlines the issues impacting each risk area for the CUSO and owning/serviced credit unions
Review Findings & Recommended Corrective Action	Outlines specific risk issues and includes a discussion of the issues; as well as recommendations to address issues
Loan Exceptions (if applicable)	Identifies specific exceptions noted during a review of individual loan files
Management Responses	Provides a summary of responses from CUSO officials regarding findings and recommended corrective actions
Report Attachments	(List the attachments and their purpose)

### **General Review Comments**

#### **Background**

XYZ, LLC, (XYZ) was originally established in 20XX by XXXX founding credit unions to provide XXX services to federal and state credit unions within the XXX area. (Outline any other organizational changes or significant events).

## Risk Areas Reviewed

During the review, we looked at (seven) risk areas and the factors affecting these risk areas for the CUSO and affiliated credit unions. The table below outlines these risk areas and comments regarding risks identified during the review.

Risk Area	Factors Impacting Risk Areas and Comments
<b>Credit</b>	<i>Reviewers should organize their analysis into appropriate risk areas for the type of services the CUSO offers and outline concerns noted during the review. Reviewers should keep in mind that not all risks outlined in this table will be appropriate for all CUSOs.</i>
<b>Transaction</b>	
<b>Liquidity</b>	
<b>Strategic</b>	
<b>Compliance</b>	
<b>Interest Rate</b>	
<b>Reputation</b>	

## Financial Performance

XYZ has continued to improve its financial position over the past four years with the CUSO becoming profitable as of December 31, 20XX. During 20XX a four percent dividend was paid to owning credit unions based on XYZ profitability. Budgetary projections suggest XYZ will be profitable in 20XX with a projected net income of approximately \$XXX,XXX. Attachment 1 outlines financial information since 20XX as well as pro-forma statements for 20XX.

## Services Provided

XYZ provides commercial/member business lending services to federal and state credit unions in (Geographical Area). Services provided by XYZ include (listing of product and services provided by CUSO)

*List services here*

These services are authorized under Part 712, NCUA rules and regulations.

*Other sample topic areas of review to include in the narrative:*

*Management/Staff Experience*  
*Serviced Credit Unions*  
*Strategic Business Planning*  
*Results of External (or other regulatory) Audits*

*In addition, the RIC can use the embedded financial worksheet below to incorporate financial information and trends into the report, but it is not required. The format for its use in the report is at the discretion of the RIC.*



CUSO FINANCIAL  
TEMPLATE.xlsx

## Findings & Recommended Corrective Action

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The RIC can use their discretion regarding the format of the narrative in this section of the report; however, the following format is preferred. Please number each finding for easy reference.

### Finding #1

Begin narrative here

### *Recommended Corrective Action*

Begin narrative here

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### Finding #2

Begin narrative here

### *Recommended Corrective Action*

Begin narrative here

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### Finding #3

Begin narrative here

### *Recommended Corrective Action*

Begin narrative here

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## Loan Exceptions (if applicable)

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Loan Number	Date of Loan	Original Loan Amt	Outstanding Balance
Comments:			

Loan Number	Date of Loan	Original Loan Amt	Outstanding Balance
Comments:			

Loan Number	Date of Loan	Original Loan Amt	Outstanding Balance
Comments:			

Loan Number	Date of Loan	Original Loan Amt	Outstanding Balance
Comments:			



## Management Responses

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*Format determined by DOS analyst and Reviewer-in-Charge.*

## Confidential Section

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**For internal use only. Not for distribution.**

The *Confidential Section* will include comments regarding:

- Products and services provided by the CUSO
- Resolution of unacceptable risk (as applicable)
- Status of opinion audit
- Information on legal opinion (when CUSO was formed and any subsequent changes)
- Information regarding any exit, management, or joint conference held with management or CUSO officials
- Follow-up supervision plans/recommendations
- Information whether SSA staff was involved in the review and if so, which states were involved
- A listing of FCU receiving products or services from the CUSO
- A listing of FISCUs and the state in which they are located for all FISCUs receiving products or services from the CUSO
- Information on any regulatory waivers (by NCUA or SSA)
- Any work papers considered material by the EIC
- Comments regarding management conference results (if held)
- Information outlining work time (Code 29) used by NCUA staff for the review

As an alternative to completing information for all above items in the *Confidential Section*, the RIC can elect to reference in the *Confidential Section* the location of such information if already included in other sections of the review report.