

This transmittal log documents changes to the NSPM from version 5.3 to version 6.0. Changes are organized by section/topic and:

- Amends existing procedures to improve the consistency and efficacy of the examination and supervision program
- Provides clarification for existing procedures
- Amends procedures as a result of regulatory amendments or other agency directives.

This log does not reflect technical amendments and minor grammatical changes. For a complete history of NSPM documentation, visit the **NSPM SharePoint Site**.

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Introduction

| Citation | Previous Content (v5.3) | New Content (v6.0) |
|---|--|---|
| NSPM Introduction (landing page) | <p>The National Supervision Policy Manual establishes national policies, procedures, and guidelines for effective district management, supervision of credit unions, and quality assurance. Promoting the consistent application of the examination procedures outlined in the NSPM, and vetting and coordinating across the agency the need for any additional examination policies and procedures furthers its purpose.</p> <p>While supervisors have the right and responsibility to assign work and manage staff, they should not institute new or additional standard operating procedures, a practice often referred to as "layering." Implementing additional procedures that apply to all examiners in an SE group or field office, or establishing general policy that is narrower than national guidance, is not appropriate. On a case-by-case basis, supervisors can and should implement procedures to manage risk in specific credit unions and/or address the development needs of individual employees.</p> <p>Adoption by field offices or supervisors of any alternative or additional examination policies, procedures, or directives beyond what is addressed in the NSPM and other national guidance must be cleared through the Exam Steering Group and the Office of Examination and Insurance. The Exam Steering Group will review and evaluate field office and/or SE level specific practices to determine if they require E&I approval.</p> | <p>The National Supervision Policy Manual establishes national policies, procedures, and guidelines for effective district management, supervision of credit unions, and quality assurance.</p> <p>While supervisors have the right and responsibility to assign work and manage staff, they should not institute new or additional standard operating procedures, a practice often referred to as "layering." Implementing additional procedures that apply to all examiners in an SE group or field office, or establishing general policy that is narrower than national guidance, is not appropriate. On a case-by-case basis, supervisors can and should implement procedures to manage risk in specific credit unions and/or address the development needs of individual employees.</p> <p>Adoption by field offices or supervisors of any alternative or additional examination policies, procedures, or directives beyond what is addressed in the NSPM and other national guidance must be cleared through the Exam Steering Group and the Office of Examination and Insurance. The Exam Steering Group promotes the consistent application of the examination procedures outlined in the NSPM, and vets and coordinates the need for any additional examination policies and procedures across the agency by evaluating field office and/or SE level specific practices to determine if they require E&I approval.</p> |
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Administrative Remedies

| Citation | Previous Content (v5.3) | New Content (v6.0) |
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| Administrative Remedies > DOR > Problem Resolution | [policy elements of Exam Report Writing from Examiner's Guide returned to NSPM; new section] | <p>If a problem has been ongoing for many years, examiners must use judgment to determine whether it meets the definition for a DOR. Examiners should take the appropriate action, which may include marking the DOR as no longer applicable (NLA) because it has not caused harm to the financial or operational condition of the credit union, issuing a new corrective action plan that better addresses the root cause of the problem, moving the problem to the Examiner’s Findings, or recommending escalated enforcement action.</p> <p>If an examiner determines that a problem is particularly severe, he or she will notify their supervisor and consider drafting a Regional Director letter urging the credit union officials to accept the resolution offered in the DOR or to formulate an acceptable alternate plan that recognizes and resolves the problem(s). However, it may be necessary to recommend escalated administrative action if agreement cannot be reached and the overall risk to the credit union warrants such action.</p> <p>[callout box: Examiners should notify the Supervisory Examiner of suspected fraud or ethical concerns in order to develop an appropriate supervisory strategy.]</p> <p>Documenting Disagreements</p> <p>Examiners should document all cases of disagreement and the intended steps to ensure proper resolution and follow-up of the problems identified in the Confidential Section of the examination report.</p> <p>Requesting a Response to a DOR</p> <p>Under certain circumstances, examiners are required to obtain written responses to a DOR from credit union officials. To fulfill this obligation, examiners may include an action item in the DOR requiring the credit union to provide a written response to the examination report by a specific date. Examiners may also address this request in any open section of the examination report as necessary. When including this action item in the DOR, examiners will utilize the Non-Risk (Housekeeping) option under the risk areas in the DOR module.</p> <p>Following up on DOR Items</p> <p>Generally, examiners should follow-up on DOR items within 120 days after the timeframe for completion has passed. In the case of CAMEL 3, 4, and 5 credit unions, the current follow-up supervision requirements outlined in the District Management section of the NSPM will allow for adequate follow-up on DORs.</p> <p>In CAMEL 1 and 2 credit unions with a DOR, examiners should evaluate whether a CAMEL 1 or 2 rating is warranted. If it is, examiners can set the timeframe for completion to coincide with the next scheduled contact or exam-ination. If the DOR is so time-sensitive that it needs to be completed sooner than before the next scheduled contact or examination, examiners will follow-up within 120 days of the timeframe for completion.</p> <p>Examiners need to follow-up on outstanding DOR items through both on and off-site supervision. Examiners must follow national</p> |
| Administrative Remedies > LUA > Problem Resolution | [policy elements of Exam Report Writing from Examiner's Guide returned to NSPM; new section] | If a credit union fails to comply with an LUA, examiners should discuss the need for additional enforcement action with the SE. At a minimum, the CAMEL and risk ratings need to reflect management’s failure to comply with an LUA. |
| Administrative Remedies > Status Update | [policy elements of Exam Report Writing from Examiner's Guide returned to NSPM; new section] | <p>Field staff will use the Status Update template to document a credit union’s compliance with outstanding administrative actions (LUA, PWL, etc.) and net worth restoration plans. For each document, field staff should provide a separate Status Update. For example, if a credit union has an outstanding LUA and NWRP, field staff will create two Status Update templates, one for each of the outstanding documents.</p> <p>At a minimum, field staff will include each outstanding corrective action or goal and the most current status of each in the Status Update.</p> <p>[Callout box: When upgrading a credit union from a CAMEL 4 or 5, or removing an LUA, field staff must complete the status report.]</p> |
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Audits, Recordkeeping, and Fraud

| Citation | Previous Content (v5.3) | New Content (v6.0) |
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| Audits, Recordkeeping, and Fraud > Unacceptable Audits and Member Account Verifications | Rate compliance risk as “high” or document the rationale for a different risk rating | Rate transaction risk as “high” or document the rationale for a different risk rating |
| Audits, Recordkeeping, and Fraud > Dishonesty, Fraud, and Insider Dealings | <p>Field staffClosed that discover fraud or a shortage will document the fraud or shortage as completely as possible and notify their supervisor. Field staff will instruct the credit union’s officials to properly address the situation, including considering the following actions after consulting with the credit union’s legal counsel:</p> <p>1.Suspend the personnel involved with pay</p> <p>2.Control involved personnel’s access to the credit union</p> <p>3.Fill the operational void caused by the suspension</p> <p>4.Contract to perform a fraud audit</p> <p>5.Notify surety</p> <p>6.File a bond claim, as appropriate</p> <p>7.Complete a Suspicious Activity Report (SARClosed)</p> <p>Field staff should remind credit union management that the filing of any SAR is confidential and should not be disclosed to credit union personnel named in the filing.</p> <p>Field staff cannot direct or require a credit union to terminate or suspend an employee. Field staff should ensure that management understands that it is their choice on the appropriate action to take.</p> <p>NCUA will decide separately whether to take an enforcement action, such as a prohibition, against an insider who has committed fraud. Field staff must seek input for this decision from their supervisor, regional office and, if necessary, OGCClosed. If an insider is convicted of a crime of dishonesty, a prohibition results automatically by operation of law.</p> | [Section content replaced by new chapter on Dishonest, Fraud, and Insider Dealings] |

Audits, Recordkeeping, and Fraud

| Citation | Previous Content (v5.3) | New Content (v6.0) |
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| Audits, Recordkeeping, and Fraud > Fraud Report Investigations | <p>The Office of General Counsel monitors the toll free NCUA Fraud Hotline (800-827-9650). Upon receiving a report of suspected fraud or other irregularities, OGC will forward a Fraud Hotline Report to the appropriate Regional Director for review. Reports of suspected fraud or other irregularities might also be received in the regional office from other sources.</p> <p>DOS will review the complaint after the regional office receives a Fraud Hotline complaint. The regional office will then send a copy of the Fraud Hotline complaint and any supporting documents to the appropriate supervisor, with a copy to the examiner, accompanied by a work assignment.</p> <p>Examiners will review the fraud report and supporting documentation and discuss with their supervisor. The examiner will make an onsite visit to the credit union, if deemed appropriate by the supervisor. The names of parties filing a complaint should be kept in confidence. During a review, examiners are encouraged to review source documentation, such as relevant statements and supervisory override reports. Examiners should also discuss the allegations with management or other pertinent individuals, as necessary.</p> <p>Examiners will prepare the following, based on the analysis performed:</p> <ul style="list-style-type: none">•A Regional Summary or memo documenting the review of the allegations contained in the fraud report that includes, at a minimum:<ul style="list-style-type: none">•Merits of each allegation contained in the fraud report•Background information on the allegations contained in the fraud report•Scope of the review (actions taken to determine validity of the allegations)•Results of the review (findings in connection with the allegations)•Conclusion indicating whether allegations are substantiated or unsubstantiated•Identify any action(s) taken where the allegations were substantiated•Recommendation for further action, if necessary•A draft memo to OGC from the Regional Director responding to the Fraud Hotline complaint. The memo must address whether the complaint was found to be valid and what, if any, additional supervision will be performed on a regional level to ensure inappropriate practices are discontinued. The memo should also indicate whether any assistance from OGC is required and, if so, indicate the nature of the assistance needed (if the fraud report was initiated in the regional office, this memo is not necessary). <p>When it is determined allegations of fraud or improper conduct are substantiated, supervisors are responsible for ensuring appropriate corrective action is initiated at the field level and documented in the report.</p> <p>If it appears subpoenas for documents or testimony will be needed, the Regional Director, through DOS, should be</p> | [Section content replaced by new chapter on Dishonest, Fraud, and Insider Dealings] |
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Change of Officials

| Citation | Previous Content (v5.3) | New Content (v6.0) |
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| Change of Officials > Templates | Template: Deny Change of Officials Due In Part to Adverse Credit - Applicant Letter | Updated regulatory citations in template |
| Change of Officials > Templates | Template: Deny Change of Officials Due In Part to Adverse Credit | Updated regulatory citations in template |
| Change of Officials > Templates | Template: Deny Change of Officials Not Due to Adverse Credit - Applicant Letter | Updated regulatory citations in template |
| Change of Officials > Templates | Template: Deny Change of Officials Not Due to Adverse Credit | Updated regulatory citations in template |
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Dishonesty, Fraud, and Insider Dealings

| Citation | Previous Content (v5.3) | New Content (v6.0) |
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| Dishonesty, Fraud, and Insider Dealings | [new content] | [new section developed; see NSPM for content] |
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District Management

| Citation | Previous Content (v5.3) | New Content (v6.0) |
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| District Management > Administrative Items > AIREs: Required Workpapers | <p>[policy elements of Exam Report Writing from Examiner's Guide returned to NSPM]</p> <p>Required AIREs Workpapers</p> <p>Appendix 20A of the Examiner’s Guide lists the required AIREs work papers which must be included in examination uploads. The FCU Program and Procedures and FISCO Program and Procedures sections of this guide include documentation requirements for both onsite and offsite contacts. Examiners will include additional work papers completed which contribute to the administrative record including team members’ loan exceptions work papers and documentation submitted for other areas reviewed.</p> <p>The AIREs upload file should contain all documentation provided to management in the credit union’s formal exam report and documentation produced by the examiner or exam team participants to support the report. Examiners should generally not include documents provided by the credit union unless the information cannot be effectively documented elsewhere in the AIREs upload file.</p> <p>Required Questionnaires</p> <p>Include all questionnaires required by the most recent, as well as work papers, and team memoranda (if applicable), in the AIREs file.</p> | <p>Required AIREs Workpapers and Questionnaires</p> <p>Field staff are responsible for including all questionnaires required by the most recent NCUA Instruction 5000.20, Examination Scope, as well as work papers, and team memoranda (if applicable), in the AIREs file.</p> <p>Appendix 20A of the Examiner's Guide lists the required AIREs work papers which must be included in examination uploads. The FCU Program and Procedures and FISCO Program and Procedures sections of this guide include documentation requirements for both onsite and offsite contacts. Examiners will include additional work papers completed which contribute to the administrative record including team members’ loan exceptions work papers and documentation submitted for other areas reviewed.</p> <p>...</p> <p>Consumer Compliance Violations Module</p> <p>Examiners must document violations of federal regulation detected during the examination and supervision process on the Consumer Compliance Violations module in AIREs. Examiners will follow the procedures for BSA violations out-lined in the BSA Enforcement section of the NSPM.</p> |
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Exam Reports

| Citation | Previous Content (v5.3) | New Content (v6.0) |
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| Exam Reports | [New section; policy elements of Exam Report Writing from Examiner's Guide returned to NSPM] | <p>Examination Reports</p> <p>Examiners will write reports and prepare documents in accordance with the NCUA Communications Manual and plain writing guidelines. Examiners must develop a professional and concise examination report that communicates all problems and risks in an easy to read and understandable format for the credit union officials.</p> <p>The examination report must:</p> <ul style="list-style-type: none">• Properly identify all material examination concerns related to the seven risk areas (credit, interest rate, liquidity, transaction, compliance, strategic, and reputation risk)• Relate the applicable risk areas to the CAMEL ratings• Support all conclusions reached regarding problems identified• Outline proper corrective actions to ensure problems are resolved in a timely manner• Establish a documented administrative record to support future administrative action and problem resolution, if necessary• Be properly supported by required documentation [link to District Management/Administrative Items/AIRES: Required Workpapers] <p>[Callout box: For more information about the components of an examination report, see the Exam Report Writing section of the Examiner’s Guide.]</p> <p>Examiners should set aside time throughout an exam to discuss problems identified during the contact with management and officials. It is important to provide management a draft copy of the Document of Resolution, Examiner’s Findings, and Loan Exceptions with sufficient time to review before the joint conference or exit meeting. Examiners should not present new information to managers at the joint conference, exit meeting, or in the examination report.</p> <p>Examiners will use the AIRES Table of Contents to organize examination reports and document the official report components and workpapers given to the officials. Examiners will provide the credit union copies of the Examination Cover Letter, Examination Overview, and other report documents as applicable.</p> <p>Examiners may informally provide a credit union any schedules, optional workpapers, questionnaires, or examiner-designed workpapers necessary to support their conclusions and assist in gaining resolution to problems uncovered during the exam or supervision process. However, only those workpapers and documents listed in the Table of Contents are considered part of the official examination report given to officials.</p> |
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Fair Lending Examination Program and Procedures

| Citation | Previous Content (v5.3) | New Content (v6.0) |
|---|-------------------------|---|
| Fair Lending Examination Program and Procedures | [new content] | [new section added; see NSPM for content] |
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Federally Insured, State Chartered Credit Union Program and Procedures

| Citation | Previous Content (v5.3) | New Content (v6.0) |
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| FISCUs > Joint Conferences | <p>Joint examinations of FISCUs with a CAMEL rating of a 3, 4, or 5 will include a joint conference with a majority of the board of directors. NCUA staff will attend these meetings, appropriately addressing all NCUA concerns. Examiners will disclose the NCUA CAMEL ratings (components and composite) to the board both verbally and in writing, as described in NCUA Letter to Credit Unions 11-CU-12, Disclosing CAMEL Ratings to Federally Insured State Credit Unions (FISCUs). Examiners may reformat the CAMEL Evaluation Form available in AIRES, provided that all the information is documented in the alternate format.</p> <p><i>[callout box] The standard form described in LCU 11-CU-12 is only required if the joint exam report does not reflect NCUA’s CAMEL rating or does not adequately justify NCUA’s rating. Field staff are not required to reiterate the CAMEL narrative and justification developed by the SSA if they are in agreement, but must document NCUA’s agreement with the content by documenting “NCUA concurs with the state supervisory authority’s assessment and justification for the CAMEL rating reflected in this exam report.”</i></p> <p>The SSA examiner and NCUA EIC will hold an exit meeting in CAMEL 1 or 2 FISCUs...</p> | <p>Joint examinations of FISCUs with a CAMEL rating of a 3, 4, or 5 will include a joint conference with a majority of the board of directors. NCUA staff will attend these meetings, appropriately addressing all NCUA concerns. Examiners will disclose the NCUA CAMEL ratings (components and composite) to the board both verbally and in writing, as described in NCUA Letter to Credit Unions 11-CU-12, Disclosing CAMEL Ratings to Federally Insured State Credit Unions (FISCUs). Examiners may reformat the CAMEL Evaluation Form available in AIRES, provided that all the information is documented in the alternate format.</p> <p><i>[remove callout box]</i></p> <p>The SSA examiner and NCUA EIC will hold an exit meeting in CAMEL 1 or 2 FISCUs...</p> <p><i>[Content revised by ESG to avoid delays when SSA final rating is not available at time of exit meeting.]</i></p> |
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Work Classification Codes

| Citation | Previous Content (v5.3) | New Content (v6.0) |
|---|---|--|
| N/A | [new codes added from Instruction 5000.13 (Rev. 22), issued Dec. 7, 2017] | New/revised WCCs: <ul style="list-style-type: none">• WCC 7: Productive and administrative time related to Bank Secrecy Act/Anti Money Laundering SME work.• WCC 48: examiner time spent supporting the Employee Resource Group (ERG) within the Office of Minority Women and Inclusion (OMWI).• WCC 50: examiner time spent as administrator of federally chartered credit unions in conservatorship.• WCC 51: examiner time spent as administrator of federally insured and state chartered credit unions in conservatorship.• WCC 90: examiner time spent on fraud investigations in federally chartered credit unions.• WCC 91: examiner time spent on fraud investigations in federally insured and state chartered credit unions. |
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