

This transmittal log documents changes to the NSPM from version 6.0 to version 7.0. 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**.

Useful Links
NSPM SharePoint
Online NSPM

Table of Contents
Admin Remedies
Audits and Recordkeeping
CUSO Registry
CUSO Reviews
Dishonesty, Fraud, and Insider Dealings
District Mgmt
Exam Complaints
Regulatory Waivers

Administrative Remedies

Citation	Previous Content (v6.0)	New Content (v7.0)
Administrative Remedies > DOR > Extreme NEV Supervisory Test Results	When using credit-union generated NEV information (verified by the examiner) for FCUs greater than \$50 million in assets and the NEV Supervisory Test results are extreme...	When using credit-union generated NEV information (verified by the examiner) for FCUs greater than \$100 million in assets and the NEV Supervisory Test results are extreme...
Administrative Remedies > DOR > Extreme NEV Supervisory Test Results	[FOOTNOTE] The IRR examination scope prescribes the number of exam steps using total assets. Credit unions with total assets of \$50 million or less do not require the IRR Workbook, including the NEV Supervisory Test.	[FOOTNOTE] The IRR examination scope prescribes the number of exam steps using total assets. Credit unions with total assets of \$100 million or less do not require the IRR Workbook, including the NEV Supervisory Test.
Return to Table of Contents		

Audits, Recordkeeping, and Fraud

Citation	Previous Content (v6.0)	New Content (v7.0)
Audits and Recordkeeping > Significant Recordkeeping Concerns	<p>When an examination or supervision contact reveals significant recordkeeping concerns, examiners will:</p> <ul style="list-style-type: none">•Notify their supervisor•Review material general ledger accounts including, but not limited to, loans, member deposits, cash, investments, subsidiary ledgers, and the Call Report•Rate transaction risk as “high” or document the rationale for a different risk rating•Denote this as a major concern in the Examination Overview•Prepare a detailed DOR, using the DOR module, and obtain agreements from the officials to achieve the stated goals•Require the SC/designated person to provide monthly status reports electronically or by phone•Reports should note the progress made to remedy the recordkeeping problems•Examiners will maintain a Supervision Chronology Report of these contacts to be included in subsequent AIRES uploads (and for submission to their supervisor, if requested)•Complete an onsite follow-up supervision contact within 90 days of the last contact’s completion date•Conduct an onsite supervision contact every 90 days (from the time the problems were identified) until all problems are resolved<ul style="list-style-type: none">◦The supervisor must approve in writing any extension beyond 90 days with notification to the ARDP and DOS◦The examiner must document any extensions in the Confidential Section <p>•Establish a resolution date of 180 days or less.</p>	<p>When an examination or supervision contact reveals significant recordkeeping concerns, examiners will:</p> <ul style="list-style-type: none">•Notify their supervisor•Review material general ledger accounts including, but not limited to, loans, member deposits, cash, investments, subsidiary ledgers, and the Call Report•Rate transaction risk as “high” or document the rationale for a different risk rating•Denote this as a major concern in the Examination Overview•Prepare a detailed DOR, using the DOR module with a resolution date of 180 days or less (for FISCUs, also provide the DOR to the SSA prior to completion of the contact)•Require the SC/designated person to provide monthly status reports electronically or by phone• Reports should note the progress made to remedy the recordkeeping problems• Examiners will maintain a Supervision Chronology Report of these contacts to be included in subsequent AIRES uploads (and for submission to their supervisor, if requested)•Complete an onsite follow-up supervision contact within 90 days of the NCUA’s last contact completion date and an onsite supervision contact every 90 days thereafter, until all problems are resolved• The supervisor must approve any extension beyond 90 days in writing and notify the ARDP and DOS• The examiner must document any extensions in the Confidential Section
Audits and Recordkeeping > Significant Recordkeeping Concerns > Incomplete Bank Reconcilements or Over 60 Days in Arrears	<p>If the bank or corporate reconcilements are incomplete (unreconciled) or in arrears greater than 60 calendar days, in addition to the steps outlined in the previous section, examiners will:</p> <ul style="list-style-type: none">•Determine the cause and evaluate the scope of the potential problem•Reach agreements with management to bring the reconcilements current, usually within 30 calendar days, and involve the SC in this process•Consider requiring an outside independent accountant to bring reconcilements current, especially if the SC is not functional or does not possess the skills to adequately review the bank reconciliation process	<p>If the bank or corporate reconcilements are incomplete (unreconciled) or in arrears greater than 60 calendar days, in addition to the steps outlined in the previous section, examiners will:</p> <ul style="list-style-type: none">•Determine the cause and evaluate the scope of the potential problem•Reach agreements with management to bring the reconcilements current, usually within 30 calendar days, and involve the SC in this process•Consider requiring an outside independent accountant to bring reconcilements current, especially if the SC is not active or does not possess the skills to adequately review the bank reconciliation process
Audits and Recordkeeping > Significant Recordkeeping Concerns > Records Materially in Arreras or Significant Unreconciled Differences	<p>Examiners must use judgment in assessing material recordkeeping problems. In some cases, the size of the unreconciled differences may not be related to the scope of the problem, particularly if the control environment lacks integrity. If records are materially in arrears or there are significant unreconciled differences, examiners will meet with their supervisor and discuss whether to:</p> <ul style="list-style-type: none">•Extend the examination/supervision contact up to 30 calendar days if the records cannot be brought current during the examination. If this option is taken, examiners will note the reasons why the examination was extended and the concurrence received in the Confidential Section; or•Complete the examination using the most current meaningful data available. If this option is taken, examiners will note in the Confidential Section if the officials have failed to meet agreements to correct recordkeeping concerns.	<p>Examiners must use judgment in assessing material recordkeeping problems. In some cases, the size of the unreconciled differences may not reflect the scope of the problem, particularly if the control environment lacks integrity. If records are materially in arrears or there are significant unreconciled differences, examiners will discuss with their supervisor whether to:</p> <ul style="list-style-type: none">•Extend the examination/supervision contact up to 30 calendar days if the records cannot be brought current during the examination. If this option is taken, examiners will note the reasons why the examination was extended and the supervisor's concurrence in the Confidential Section; or•Complete the examination using the most current data available. If this option is taken, examiners will note in the Confidential Section whether officials agreed to the correct recordkeeping concerns.
Return to Table of Contents		

CUSO Reviews

Citation	Previous Content (v6.0)	New Content (v7.0)
CUSO Registry	Parts 712 and 741 of NCUA rules and regulations apply to all federally insured credit unions that have an investment in, or loan to, a CUSO. The final rule requires CUSOs to agree, in writing, to provide information to NCUA on an annual basis. NCUA established the online CUSO Registry as the official reporting tool for CUSOs, which will report year-end information to the agency through the registry during an annual registration period. The goal of the CUSO Registry is to obtain accurate information about CUSOs in order to effectively evaluate potential financial and operational risk to credit unions. This information also helps NCUA identify inter-relationships between credit unions and the CUSOs in which they invest, lend, and do business. As a result, it is imperative that information contained the registry is accurate.	Part 712 and §741.222 of apply to all federally insured credit unions that have an investment in, or loan to, a CUSO. Section 712.3(d)(4) requires CUSOs to agree, in writing, to provide information to the NCUA and the appropriate SSA, if applicable, on an annual basis. The NCUA established the online CUSO Registry as the official reporting tool for CUSOs, which will report year-end information to the agency through the registry during an annual registration period (February 1 through March 31). The goal of the CUSO Registry is to...
CUSO Registry > Responsibilities	Field staff will document the review of CUSO information in the AIRES scope workbook and in the AIRES CUSO internal control questionnaire.	As part of every RFE and Tier 1 SCUEP exam, field staff will document the review of CUSO information in the AIRES scope workbook and in the AIRES CUSO internal control questionnaire.
Return to Table of Contents		

CUSO Reviews

Citation	Previous Content (v6.0)	New Content (v7.0)
CUSO Reviews	Section 712.3(d)(3) of NCUA rules and regulations requires both federal credit unions and FISCUs to have a written agreement with their CUSO that requires the CUSO to provide the NCUA with complete access to any books and records and allow the NCUA to review internal controls as deemed necessary.	Section 712.3(d)(3) of NCUA rules and regulations requires both federal credit unions and FISCUs to have a written agreement with their CUSO that requires the CUSO to provide the NCUA and the SSA, as applicable , with complete access to any books and records and allow the NCUA to review internal controls as deemed necessary.
CUSO Reviews	Examiners conducting such a review should refer to review procedures outlined in the NSPM and the CUSO internal control questionnaire contained in AIRES Questions.xls.	Examiners conducting such a review should refer to the Examiner’s Guide , the CUSO Registry review procedures outlined in the NSPM, and the CUSO internal control questionnaire contained in AIRES Questions.xls.
CUSO Reviews > Scope of Review	NCUA staff conducting CUSO reviews should use the CUSO review scope workbook outlined in NCUA Bulletin 5060B, issued August 9, 2016 . The CUSO review scope workbook includes...	NCUA staff conducting stand-alone CUSO reviews must use the CUSO review scope workbook. The CUSO review scope workbook is not required for follow-up CUSO reviews or reviews of CUSOs conducted as part of the normal examination process. The CUSO review scope workbook includes...
CUSO Reviews> CUSO Review Report and Workpapers	Upon completion of a review, the EIC will send a complete CUSO review package to the regional DOS. At a minimum, the package will include: CUSO review report (including any attachments and appendixes) Confidential Section	[content removed]
CUSO Reviews > Templates	[new item added]	CUSO Review Scope Workbook
CUSO Reviews > Distributing a Draft Review Report	The EIC will forward the draft review report to their supervisor (SE or DSA) for initial review. Upon review and approval, the supervisor will forward the draft report to DOS Mail; DOS will log the item and review it within 14 days. The responsible DOS analyst...	The EIC will forward the draft CUSO review package to their supervisor for initial review. At a minimum, the CUSO review package will include the CUSO Review report (including any attachments and appendices) and the Confidential Section. Upon review and approval, the supervisor will forward the draft report to DOS Mail; DOS will log the item and review it within 14 days. The responsible DOS analyst...
CUSO Reviews > Management Conference	Once DOS has distributed the final report, the EIC or supervisor may schedule a management conference with CUSO officials. This conference is not mandatory; the decision to hold such a meeting should be based on the level of concern identified during the review. If scheduled...	Once DOS has distributed the final report, the EIC or supervisor may schedule a management conference with CUSO officials. While this conference is not mandatory, the EIC or supervisor will request it if: <ul style="list-style-type: none">• the CUSO Review Report identified material issues, or• CUSO management requests a conference (management will be provided the option to hold a conference if the CUSO review does not identify material issues) If scheduled...
Return to Table of Contents		

Dishonesty, Fraud, and Insider Dealings

Citation	Previous Content (v6.0)	New Content (v7.0)
Dishonesty, Fraud, and Insider Dealings > When Fraud is Confirmed or Highly Suspected > Level 2 Fraud	“...or management or officials are potentially involved...”	“...or management or officials are likely involved...”
Return to Table of Contents		

District Management

Citation	Previous Content (v6.0)	New Content (v7.0)
District Management > Budgeting and Scheduling Exams > NCUA Examination Scheduling Program	<p>Federal Credit Unions</p> <p>...A federal credit union is eligible for an extended examination cycle if it meets all of the following criteria:</p> <ul style="list-style-type: none">• CAMEL code 1 or 2, both in composite and management rating components• Assets less than \$1 billion• “Well capitalized” per prompt corrective action regulations• No outstanding documents of resolution items related to significant recordkeeping deficiencies, and• Not operating under a formal or informal enforcement or administrative order, such as a cease and desist order, letter of understanding and agreement, preliminary warning letter, or PCA directive <p>Small credit unions with limited segregation of duties that are otherwise eligible for an extended exam cycle may receive more frequent examinations on a random sample basis.</p> <p>CALLOUT: The CAMEL criteria is based on the CAMEL rating in effect at budget time. The criteria for asset size is based on the March 31st Call Report in the preceding calendar year.</p>	<p>Federal Credit Unions</p> <p>...A federal credit union is eligible for an extended examination cycle if it meets all of the following criteria:</p> <ul style="list-style-type: none">• CAMEL code 1 or 2, both in composite and management rating components• Assets less than \$1 billion (based on the March 31 Call Report in the preceding calendar year)• “Well capitalized” per prompt corrective action regulations• No outstanding documents of resolution items related to significant recordkeeping deficiencies, and• Not operating under a formal or informal enforcement or administrative order, such as a cease and desist order, letter of understanding and agreement, preliminary warning letter, or PCA directive <p>Small credit unions with limited segregation of duties that are otherwise eligible for an extended exam cycle may receive more frequent examinations on a random sample basis.</p> <p>CALLOUT: Staff must modify a credit union’s exam schedule in response to changes in any qualification criteria other than asset size (for example, CAMEL code, DOR, or enforcement action, etc.). If a credit union becomes ineligible for the extended exam cycle after 12 months have elapsed since the last exam completion, examiners must schedule an exam as soon as is practicable.</p>
District Management > Budgeting and Scheduling Exams > NCUA Examination Scheduling Program	<p>FISCUs</p> <p>FISCUs meeting any one of the following criteria will receive NCUA exams that will begin between 8 and 12 months from the prior exam completion date:</p> <ul style="list-style-type: none">• Assets greater than \$1 billion• Composite NCUA CAMEL code 4 or 5 with assets greater than \$50 million, or• Composite NCUA CAMEL code 3 with assets greater than \$250 million <p>All other FISCUs will receive an NCUA exam...</p>	<p>FISCUs</p> <p>FISCUs meeting any one of the following criteria will receive NCUA exams that will begin between 8 and 12 months from the prior exam completion date:</p> <ul style="list-style-type: none">• Assets greater than \$1 billion (based on the March 31 Call Report in the preceding calendar year)• Composite NCUA CAMEL code 4 or 5 with assets greater than \$50 million, or• Composite NCUA CAMEL code 3 with assets greater than \$250 million <p>CALLOUT: Staff must modify a credit union’s exam schedule in response to CAMEL code changes. If a credit union becomes ineligible for the extended exam cycle after 12 months have elapsed since the last exam completion, examiners must schedule an exam as soon as is practicable.</p> <p>All other FISCUs will receive an NCUA exam...</p>
District Management > Call Report, Trending Analysis, and RATE	<ul style="list-style-type: none">• When NCUA processes the Call Report: Two hours per cycle for each FICU and one additional hour for each manual FICU	<ul style="list-style-type: none">• When NCUA processes the Call Report: Two hours per cycle for each FICU
Return to Table of Contents		

Exam Complaints

Citation	Previous Content (v6.0)	New Content (v7.0)
Exam Complaints	<p>In addition, Part 309 of the Riegle Community Development and Regulatory Improvement Act of 1994 required NCUA to establish an independent appellate process to review material supervisory determinations. In 2011, the NCUA Board adopted Interpretive Ruling and Policy Statement (IRPS) 11-1, Supervisory Review Committee. This IRPS was amended by IRPS 12-1, which allows credit union officials to appeal material supervisory determinations to a supervisory review committee (committee) composed of three NCUA senior staff. Any decision, whether at the Regional Director level or at the committee level, is appealable to the NCUA Board.</p> <p>Examination material supervisory determinations are limited to:</p> <ul style="list-style-type: none">• Composite CAMEL ratings of 3, 4, and 5 and all component ratings of those composite ratings• Adequacy of loan loss reserve provisions• Loan classifications on loans that are significant as determined by the appealing credit union <p>To be appealable to the committee, the examination complaint must be filed by the credit union within 30 days of the examiner’s final determination. A complaint regarding a FISCO examination may be made to the NCUA if the final determination was made by the NCUA examiner. If the final determination was made by the state examiner, the complaint will be turned over to the state for the appropriate action.</p>	<p>In addition, Part 309 of the Riegle Community Development and Regulatory Improvement Act of 1994 required NCUA to establish an independent appellate process to review material supervisory determinations. In 2017, the NCUA Board approved a final rule (Part 746, Subpart A) outlining the review process. After making a request for reconsideration from the Regional Director, a credit union may request a review by the Office of Examination and Insurance or appeal directly to the Supervisory Review Committee. A credit union may also file an appeal with the NCUA Board challenging the decision by the Supervisory Review Committee.</p> <p>Examination material supervisory determination is defined as written decisions by a program office that may significantly affect the capital, earnings, operating flexibility, or that may otherwise affect the nature or level of supervisory oversight of a credit union. The term includes, but is not limited to:</p> <ul style="list-style-type: none">• Composite CAMEL ratings of 3, 4, and 5 and all component ratings of those composite ratings• Adequacy of loan loss reserve provisions• Loan classifications on loans that are significant as determined by the appealing credit union <p>To be appealable to the committee, an examination complaint must be filed by a credit union within 30 days of the examiner’s final determination. A complaint regarding a FISCO examination may be made to the NCUA if the final determination was made by the NCUA examiner. If a final determination was made by the state examiner, the NCUA will turn the complaint over to the state for the appropriate action.</p>
Exam Complaints	[new content added]	<p>Material Supervisory Determination Exclusions</p> <p>The following are excluded from the term “material supervisory determination:”</p> <ul style="list-style-type: none">• A composite CAMEL rating of 1 or 2• A component CAMEL rating unless the rating has a significant adverse effect on the nature or level of supervisory oversight of an insured credit union• The scope and timing of supervisory contacts• A decision to appoint a conservator or liquidating agent for an insured credit union• A decision to take prompt corrective action pursuant to Section 216 of the Federal Credit Union Act and Part 702 of NCUA regulations• Enforcement related actions and decisions, including determinations and the underlying facts and circumstances that form the basis of a pending enforcement action• Preliminary examination conclusions communicated to an insured credit union before a final exam report or other written communication is issued• Formal and informal rulemakings pursuant to the Administrative Procedure Act• Requests for NCUA records or information under the Freedom of Information Act and Part 792 of NCUA regulations and the submission of information to the NCUA that is governed by this statute and this regulation, and• Determinations for which other appeals procedures exist
Return to Table of Contents		

Regulatory Waivers and Other Regulatory Actions

Citation	Previous Content (v6.0)	New Content (v7.0)
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Plans	The board of directors of a LICU will adopt a Secondary Capital Plan (plan) and forward it to the appropriate Regional Director for approval. NCUA rules and regulations §701.34(b)(1) discusses the minimum plan requirements.	Low-income designated credit unions may accept secondary capital accounts in accordance with NCUA rules and regulations §701.34(b). Under §701.34(b)(1), prior to accepting any uninsured secondary capital accounts, a LICU's board of directors must adopt a Secondary Capital Plan and forward it to the appropriate NCUA Regional Director for approval. LICUs that are also FISCUs must submit the plan to both the Regional Director and the state supervisory authority for approval in accordance with §741.204(c).
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Plans> Required Information	Each secondary capital account established by a LICU must meet the regulatory requirements, which require a written plan for the use of the funds in the accounts and subsequent liquidity needs to meet the repayment requirements upon maturity.	Each secondary capital plan must meet the minimum regulatory requirements outlined in §701.34(b)(1), which require a credit union to: <ul style="list-style-type: none">• State the maximum aggregate amount of uninsured secondary capital the LICU plans to accept• Identify how the secondary capital will be used, and how it will be repaid• Explain how the LICU will provide for liquidity to repay the secondary capital accounts upon maturity of the accounts• Demonstrate that the planned uses conform with the LICU’s strategic plan, business plan and budget, and• Include supporting pro forma financial statements, including any off-balance sheet items, covering a minimum of the next two years
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Plans> Approval Timeframe	Approval is automatic if a completed plan is not denied within 45 days of receipt.	Approval is automatic if a LICU is not notified that the plan was approved or disapproved by the appropriate Regional Director within 45 days of receipt.
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Plans> Secondary Capital Account Requirements	[new content]	Secondary capital accounts accepted by a LICU must meet various regulatory requirements, including: <ul style="list-style-type: none">• The secondary capital account must be established as an uninsured secondary capital account of other form of non-share account• The maturity of the secondary capital account must be a minimum of five years• The secondary capital account will not be insured by the NCUSIF or any governmental or private entity• The secondary capital account investor’s claim against the LICU must be subordinate to all other claims including those of shareholders, creditors, and the NCUSIF• Funds deposited into a secondary capital account, including interest accrued and paid into the secondary capital account, must be available to cover losses realized by the LICU that exceed its net available reserves (exclusive of secondary capital and allowance accounts for loan and lease losses), and to the extent the funds are so used, the LICU must not restore or replenish the account under any circumstances (See §701.34(b)(7) for additional requirements related to interest payments and loss distribution for secondary capital accounts.)• The secondary capital account may not be pledged or provided by the account investor as security on a loan or other obligation with the LICU or any other party• A secondary capital account contract agreement must be executed by an authorized representative of the account investor and of the LICU reflecting the terms and conditions mandated in §701.34 of NCUA’s rules and regulations, and any other terms and conditions not inconsistent with regulatory requirements• An authorized representative of the LICU and of the secondary capital account investor each must execute a “Disclosure and Acknowledgment” as set forth in the Appendix to §701.34 at the time of entering into the account agreement See §701.34 for additional accounting and recordkeeping requirements.

Regulatory Waivers and Other Regulatory Actions

Citation	Previous Content (v6.0)	New Content (v7.0)
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Plans> DOS Initial Responsibilities	<p>Within five calendar days of the regional office receiving the plan, DOS will perform a cursory review to determine whether the plan meets minimum requirements.</p> <p>If the plan is considered incomplete, DOS will:</p> <ul style="list-style-type: none">-Contact the credit union to obtain the missing information; or-Prepare an incomplete/denial letter and send it to the credit union by the region’s preferred expedited mail delivery-Use the Respond to Incomplete Proposed Secondary Capital Plan template.-Ensure the letter lists the additional information the credit union must submit if they would like the request to be re-considered. DOS will copy the examiner and supervisory examiner on the letter. <p>If the plan is considered complete, DOS will:</p> <ul style="list-style-type: none">-Prepare and send an acknowledgment letter to the credit union using the region’s preferred expedited mail delivery service-Prepare and send a work assignment to the field that includes the credit union’s request, the plan, supporting documentation, and request a recommendation for approval or denial	<p>Within five calendar days of the regional office receiving a plan, DOS will perform a cursory review to determine whether the plan and proposed secondary capital account(s) meet the minimum regulatory requirements.</p> <p>If a plan does not address the required elements of §701.34(b)(1) or the proposed secondary capital account(s) does not meet regulatory requirements, DOS will:</p> <ul style="list-style-type: none">• Contact the credit union to obtain the missing information, or• Prepare an incomplete or denial letter and send it to the credit union by the region’s preferred expedited mail delivery <p>o Use the Respond to Incomplete Proposed Secondary Capital Plan template if the Regional Director opts to defer the request, and ensure the letter lists the required information the credit union must submit for the region to reconsider the plan.</p> <p>o Use the Deny Secondary Capital Plan template if the Regional Director opts to deny the plan. DOS will copy the examiner, supervisory examiner, and SSA, if applicable, on the letter.</p> <p>If a plan addresses the required elements of §701.34(b)(1) and the proposed secondary capital account(s) meets regulatory requirements, DOS will:</p> <ul style="list-style-type: none">• Prepare and send an acknowledgment letter to the credit union using the region’s preferred expedited mail delivery service (for a FISCO, DOS will copy the SSA on the letter)• Prepare and send a work assignment to the field that includes the credit union’s request, the plan, supporting documentation, and request a recommendation for approval or denial
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Plans> Field Staff Review Responsibilities	<p>Examiners and their supervisor will evaluate the credit union’s plan. After evaluating the plan, the examiners will:</p> <ul style="list-style-type: none">-Complete a Regional Summary to include an approval or denial recommendation-Draft a letter to approve, partially approve, or deny the proposed SCP using the appropriate template-Approve Secondary Capital Plan-Approve Secondary Capital Plan with Contingency-Deny Secondary Capital Plan-Email the approval, partial approval, deferral, or denial letter, the Regional Summary, and any supporting documentation to their supervisor <p>The supervisor will review the information, provide supporting reasons for concurrence or non-concurrence, and forward the package to the region’s DOS mailbox.</p>	<p>Examiners, their supervisor, and, when appropriate, Regional Capital Markets Specialists will evaluate a credit union’s plan. In evaluating the plan, field staff will:</p> <ul style="list-style-type: none">• Complete the Secondary Capital Questionnaire <p>o Field staff may not request credit union officials or employees fill out the questionnaire, which is strictly for NCUA field staff use as a guide when reviewing Secondary Capital Plans. See the Capital Section (under development) of the Examiner’s Guide for additional guidance on reviewing Secondary Capital Plans.</p> <ul style="list-style-type: none">• Contact the credit union to conduct an interview with management (field staff may use the Secondary Capital Questionnaire as a guide for the conversation)• Complete a Regional Summary to include an approval or denial recommendation• For federal credit unions, draft a letter to approve or deny the proposed plan using the appropriate template <p>- A letter informing the credit union of denial must identify required documentation under §701.34(b)(1) that is missing or insufficient. The denial letter must also discuss any related unsafe and unsound condition, including why it is considered unsafe and unsound. Denial letters should not instruct a credit union to resubmit the plan.</p> <ul style="list-style-type: none">• Email the approval or denial letter (for federal credit unions), the Regional Summary, and any supporting documentation to their supervisor. <p>The field supervisor will review the information, provide supporting reasons for concurrence or non-concurrence, and forward the package to the region’s DOS mailbox.</p>

Regulatory Waivers and Other Regulatory Actions

Citation	Previous Content (v6.0)	New Content (v7.0)
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Plans> DOS Procesing and Review Responsibilities	If DOS and/or the Regional Director do not agree with the field recommendation, the supervisor will be contacted to discuss further, as time permits . The field will be given the opportunity to further support or revise their recommendation. DOS finalizes the response letter for the Regional Director’s signature. Once signed, DOS will mail it to the credit union using the region’s preferred expedited mail delivery service and copy both the examiner and supervisor.	If DOS and/or the Regional Director do not agree with the field recommendation, the reasons for the different conclusion will be discussed with the field supervisor . The field will be given the opportunity to further support or revise their recommendation. Regions may consult with the Office of Examination and Insurance during the review process. [CALLOUT: Regional Directors have the authority to approve secondary capital plans. Concurrence from E&I is not required. E&I is available to provide additional expertise in the analysis and can provide assistance with the correspondence related to the Regional Director’s decision.] DOS finalizes the response letter for the Regional Director’s signature. For federal credit unions, DOS will send the response letter directly to the credit union. For FISCUs, DOS will send a letter with the Regional Director’s concurrence for approval to the SSA. In the case of disapproval, DOS will send a letter with the Regional Director’s disapproval to both the SSA and the credit union.
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Plans> Reginoal Director Responsibilities	[new content]	Regional Directors will only approve secondary capital plans if: <ul style="list-style-type: none">• All information required under §701.34(b)(1) was included in the plan or provided as support• The proposed secondary capital account(s), and all other actions outlined in the plan (for example, lending and borrowing), comply with applicable regulatory requirements• The acceptance and use of the secondary capital does not create an unsafe and unsound condition For FISCUs, the SSA must grant or deny the request with the concurrence of the Regional Director, in accordance with §741.204(d).
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Redemptions	The board of directors of a LICU may submit a written request to redeem secondary capital to the Regional Director for approval. Section 701.34(d)(1) contains the minimum requirements to redeem secondary capital: [bulleted list]	The board of directors of a LICU may submit a written request to redeem secondary capital to the Regional Director for approval. Under §741.204(d), FISCUs must also submit the request to the state supervisory authority, who will approve or deny the request with the concurrence of the Regional Director. Section 701.34(d)(1) contains the minimum requirements to redeem secondary capital: [no change to bulleted list] The request to redeem discounted secondary capital may be approved in whole or in part.
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Redemptions> Required Information	The Secondary Capital Redemption (SCR) request must be submitted in writing, specify the increment(s) to be redeemed and the schedule for redeeming any part of the eligible increment, and must demonstrate the LICU can meet the minimum requirements of §701.34(d)(1).	The Secondary Capital Redemptionrequest must be submitted in writing, specify the increment(s) to be redeemed and the schedule for redeeming any part of the eligible increment, and must demonstrate the LICU can meet the minimum requirements of §701.34(d)(1). Credit unions may only redeem secondary capital that is not recognized as net worth under §701.34(c)(2) in accordance with the remaining maturity schedule.
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Redemptions> Approval Timeframe	Approval for Secondary Capital Redemption is automatic if not denied within 45 days of receipt.	If a LICU is not notified of approval or denial within 45 days of receipt of a request for approval to redeem, it may proceed to redeem secondary capital as proposed.

Regulatory Waivers and Other Regulatory Actions		
Citation	Previous Content (v6.0)	New Content (v7.0)
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Redemptions> DOS Initial Responsibilities	<p>If the SCR is considered incomplete, DOS will:</p> <ul style="list-style-type: none"> •Contact the credit union to obtain the missing information; or •Prepare an incomplete/denial letter and send it to the credit union by the region’s preferred expedited mail delivery. •Ensure the letter lists the additional information the credit union must submit if they would like the request to be considered. DOS will copy the examiner and supervisory examiner on the letter. 	<p>If the SCR is considered incomplete, DOS will:</p> <p>Contact the credit union to obtain the missing information, or</p> <p>Prepare an incomplete or denial letter and send it to the credit union by the region’s preferred expedited mail delivery, and copy the examiner, supervisory examiner, and SSA (if applicable) on the letter</p> <p>-Use the Respond to Incomplete Proposed Secondary Capital Redemption template if the Regional Director opts to defer the request. Ensure the letter lists the required information the credit union must submit for the region to reconsider the plan.</p> <p>-Use the Deny Secondary Capital Redemption template if the Regional Director opts to deny the plan.</p>
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Redemptions> DOS Initial Responsibilities	<p>If the credit union meets the requirements for streamlined approval, DOS will prepare an approval letter and send it to the credit union by the region’s preferred expedited mail delivery service.</p> <p>If the credit union does not meet the requirements for streamlined approval, DOS will:</p> <ul style="list-style-type: none"> • Prepare and send an acknowledgment letter to the credit union using the region’s preferred expedited mail delivery service • Prepare and send a work assignment to the field that includes the credit union’s request, the SCR, supporting documentation, and request a recommendation for approval or denial 	<p>If the federal credit union meets the requirements for streamlined approval, DOS will prepare an approval letter and send it to the credit union by the region’s preferred expedited mail delivery service. For FISCUs, DOS will send a letter with the Regional Director’s concurrence for approval to the SSA.</p> <p>If the credit union does not meet the requirements for streamlined approval, DOS will:</p> <ul style="list-style-type: none"> • Prepare and send an acknowledgment letter to the credit union using the region’s preferred expedited mail delivery service. For FISCUs, DOS will copy the SSA on the letter. • Prepare and send a work assignment to the field that includes the credit union’s request, the SCR, supporting documentation, and request a recommendation for approval or denial
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Redemptions> Field Staff Review Responsibilities	<ul style="list-style-type: none"> • Draft a letter to approve, partially approve,or defer, or deny the request using the appropriate template o Approve Secondary Capital Plan o Approve Secondary Capital Plan with Contingency o Respond to Incomplete Proposed Secondary Capital Plan o Deny Secondary Capital Plan • Email the approval, partial approval, deferral, or denial letter, the Regional Summary, and any supporting documentation to their supervisor 	<ul style="list-style-type: none"> • Draft a letter to approve (or partially approve) or deny the request using the appropriate template o Approve Request to Redeem Secondary Capital o Deny Request to Redeem Secondary Capital • Email the letter, the Regional Summary, and any supporting documentation to their supervisor
Regulatory Waivers and other Regulatory Actions > Secondary Capital > Secondary Capital Redemptions> DOS Processing and Review Responsibilities	<p>If DOS and/or the Regional Director do not agree with the field recommendation, the supervisor will be contacted to discuss further. The field will be given the opportunity to further support or revise their recommendation.</p> <p>DOS finalizes the response letter for the Regional Director’s signature. Once signed, DOS will mail it to the credit union using the region’s preferred expedited mail delivery service and copy both the examiner and supervisor.</p>	<p>If DOS and/or the Regional Director do not agree with the field recommendation, the reasons for the different conclusion will be discussed with the field supervisor. The field will be given the opportunity to further support or revise their recommendation.</p> <p>DOS finalizes the response letter for the Regional Director’s signature. For FCUs, DOS will mail the signed letter to the credit union using the region’s preferred expedited mail delivery service and copy both the examiner and supervisor.</p> <p>For FISCUs, DOS will send a letter with the Regional Director’s concurrence for approval to the SSA. In the case of disapproval, DOS will send a letter with the Regional Director’s disapproval to both the SSA and the credit union.</p>
Return to Table of Contents		