

CUNA/League 2018 Exam Survey

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(updated August 2019)

Background

- Seventh annual survey. Measure overall satisfaction with exams, exam team performance, and the team's dealings with the volunteers.
- Determine CEOs' agreement with nearly 25 individual statements related specifically to the examination process.
- Identify the extent to which, if any, examiners raised issues concerning over 45 different examination topics in five areas:
 1. General safety and soundness,
 2. Compliance with deposit-related regulations and statutes,
 3. Compliance with credit-related regulations and statutes,
 4. Fair lending compliance, and
 5. Bank Secrecy Act (BSA) compliance.
- Make comparisons between examiners' 2018 performance evaluations and the evaluations recorded in prior Exam Survey studies.

Methodology

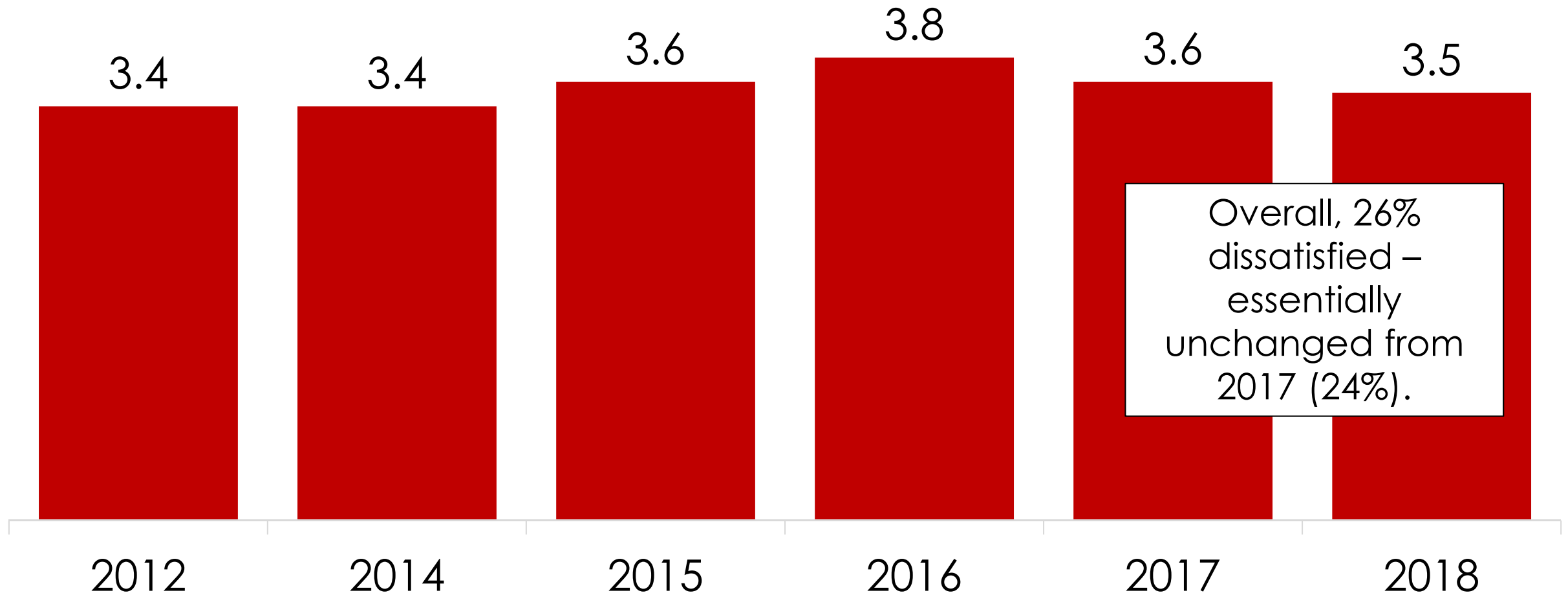
- Beginning in February, 2018, a series of e-mails were sent to 4,739 credit union CEOs urging them to complete the CUNA Exam Survey for their most recent exam. The questionnaire was virtually identical to the one used in 2017.
- By the end of the data-collection period, CUNA received 478 responses, for a 10% response rate. This is somewhat lower than the approximate 14% response rate from the 2017 study.
- For purposes of comparison, differences in average rating scores of two-tenths (.2) of a point, or differences in percentages of over five (5) percentage points, are indicative of meaningful changes in attitudes, exam-related events and outcomes, etc.

Overview

- Overall level of exam satisfaction unchanged vs. 2017
 - 3.5 on a 5-point scale
 - State: 3.7
 - Federal 3.5
 - Joint 3.4
 - But 26% dissatisfied
 - State-only and NCUA exams unchanged. Joint exams lower.
- Fewer report lower CAMEL rating vs previous exam.
 - 9% vs. 11% in 2017
 - 18% disagree with their CAMEL rating
- Slight increase in prevalence of administrative orders & other written agreements
 - 29% vs. 24% in 2017

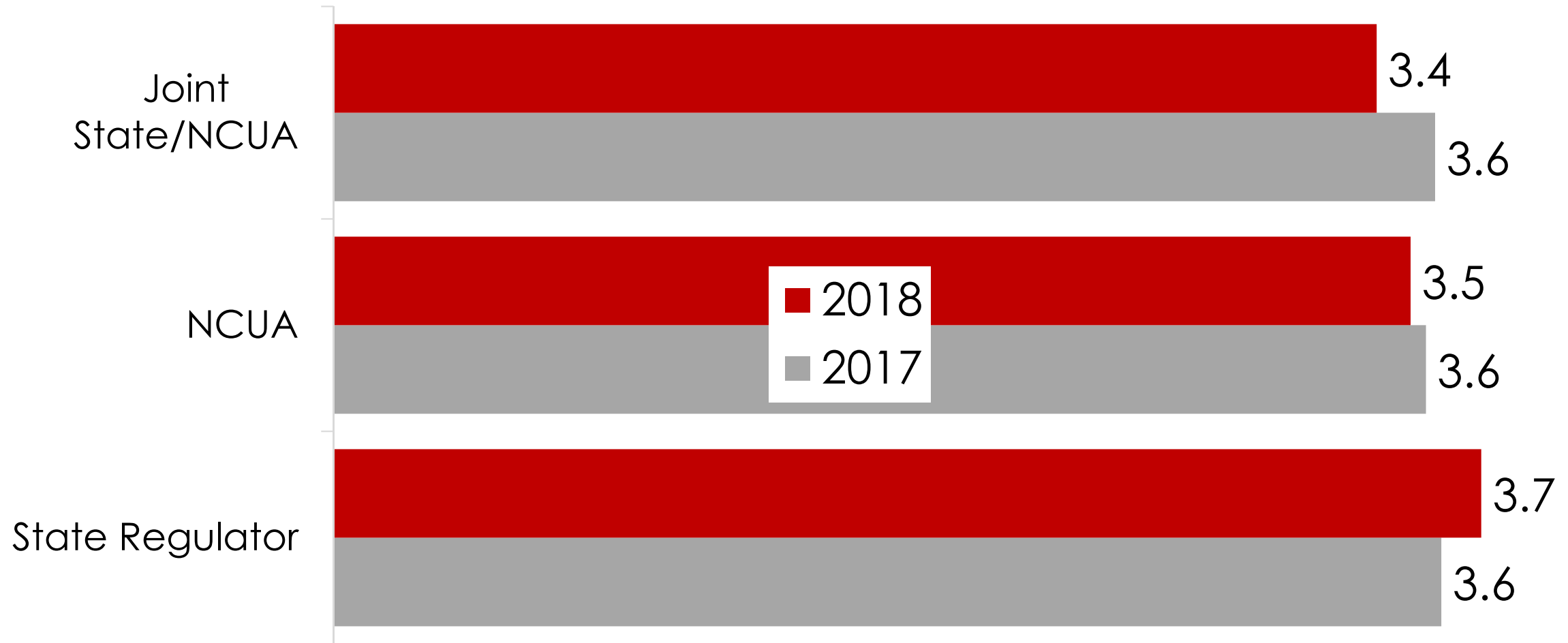
Overall Exam Satisfaction

(5-point scale, where 5.0 = "very satisfied" and 1.0 = "very dissatisfied")

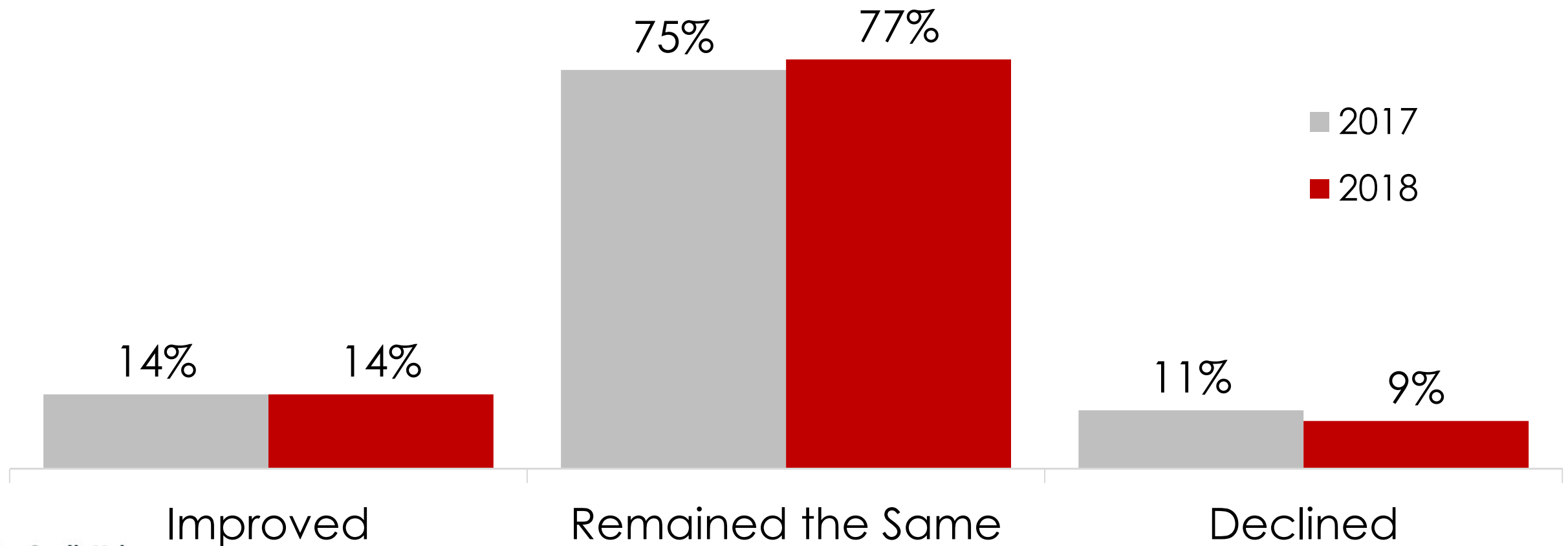


Overall Exam Satisfaction

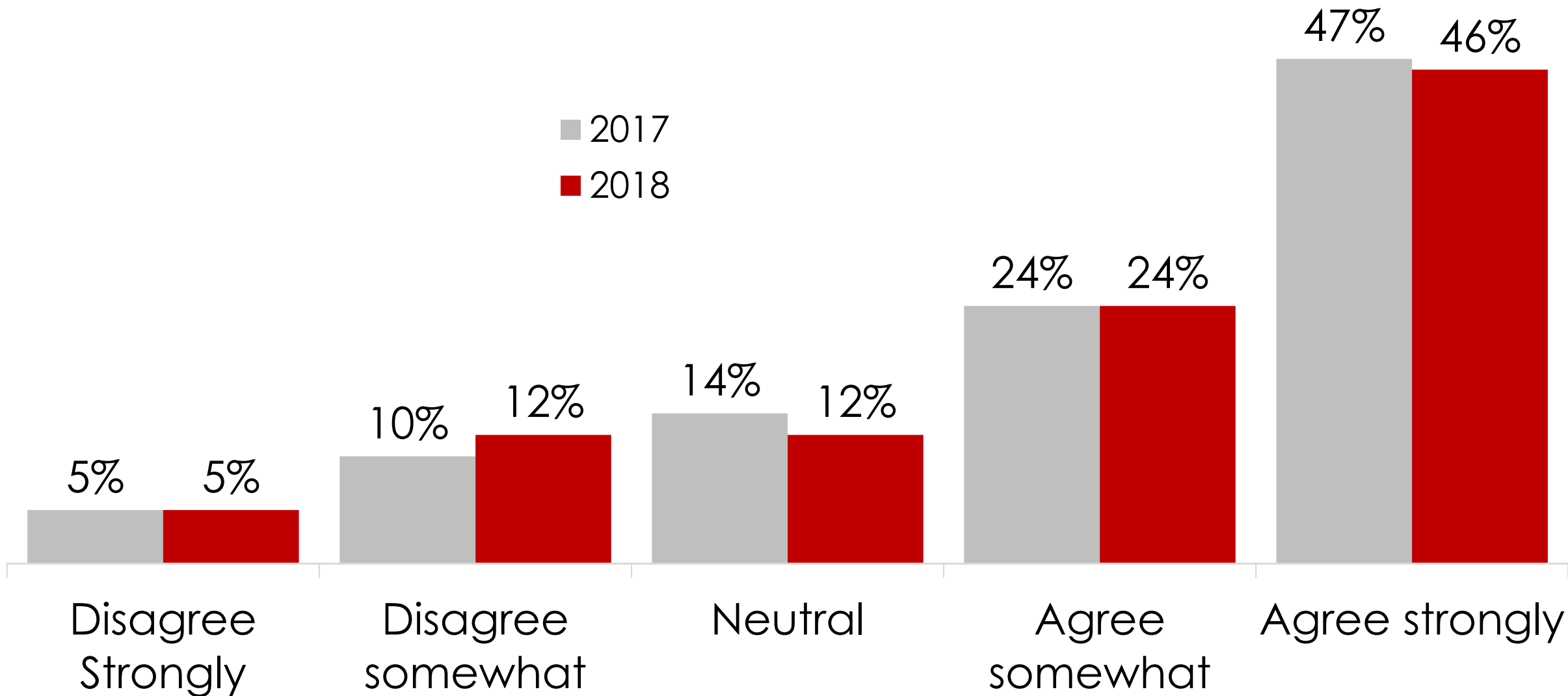
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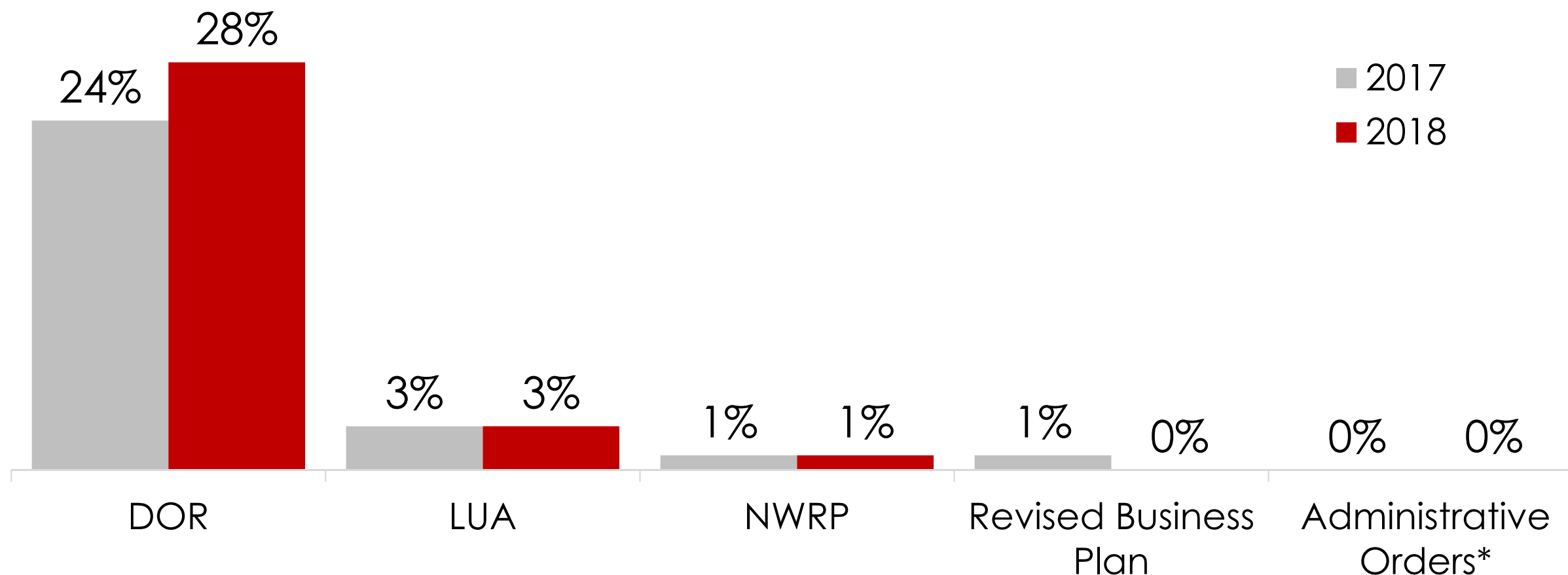
Change in CAMEL Rating



Agreement with CAMEL Rating

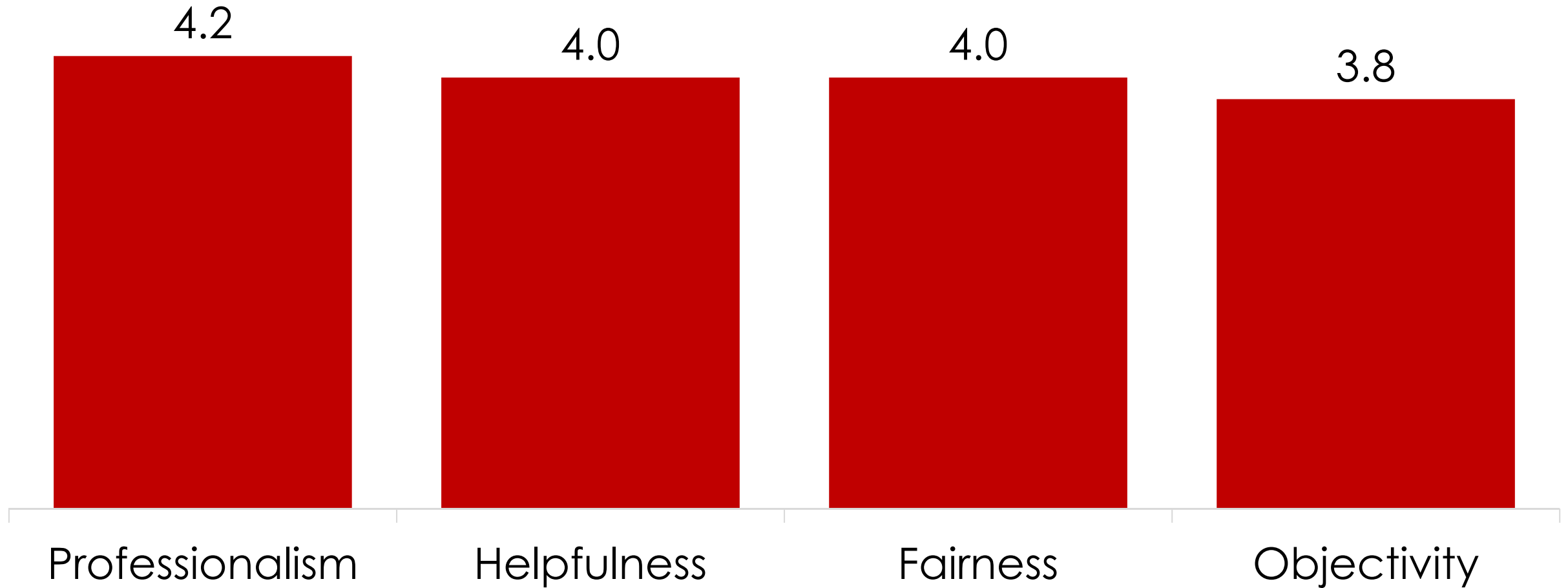


Under Administrative Orders or Other Written Agreements



Exam Team Ratings

(5-point scale, where 5.0 = "excellent" and 1.0 = "poor")



Top Examiner/Team Issues

Dealing with BOD. No statistically significant differences vs. 2017.
(5-point scale, where 5.0 = "excellent" and 1.0 = "poor")

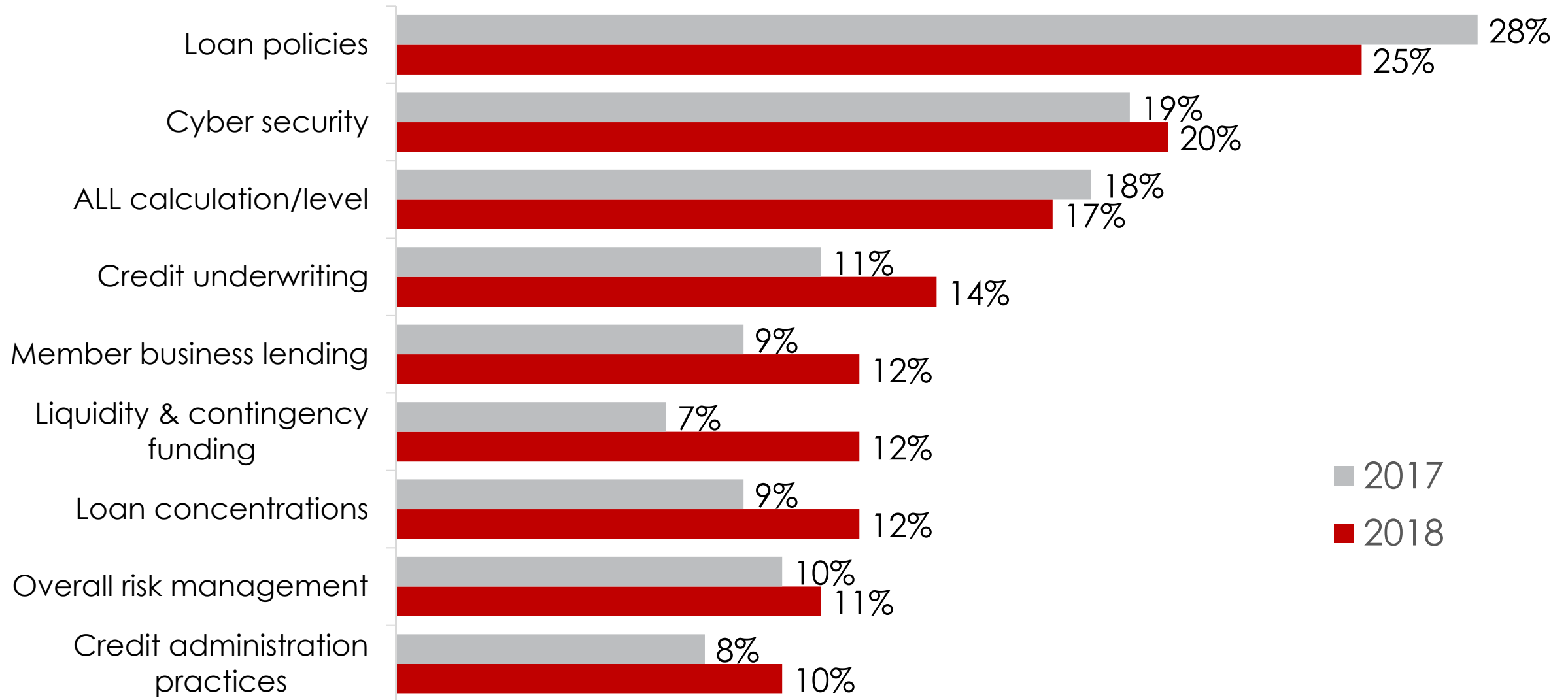


Top Exam Issues Requiring Action

- General Safety and Soundness Issues
 - Loan policy (25%) and cyber security (20%) most prevalent
 - Increase in prevalence of S&S issues with Liquidity; and slight increases for credit underwriting and MBL
 - Slight decline in prevalence of loan policy issues
- Compliance-related Issues
 - Servicemember civil relief act most prevalent (5%)
 - No significant changes vs. 2017
- BSA
 - CU risk assessment, CTR filings, and SAR filings most prevalent (5% to 8%)
 - No significant changes vs. 2017

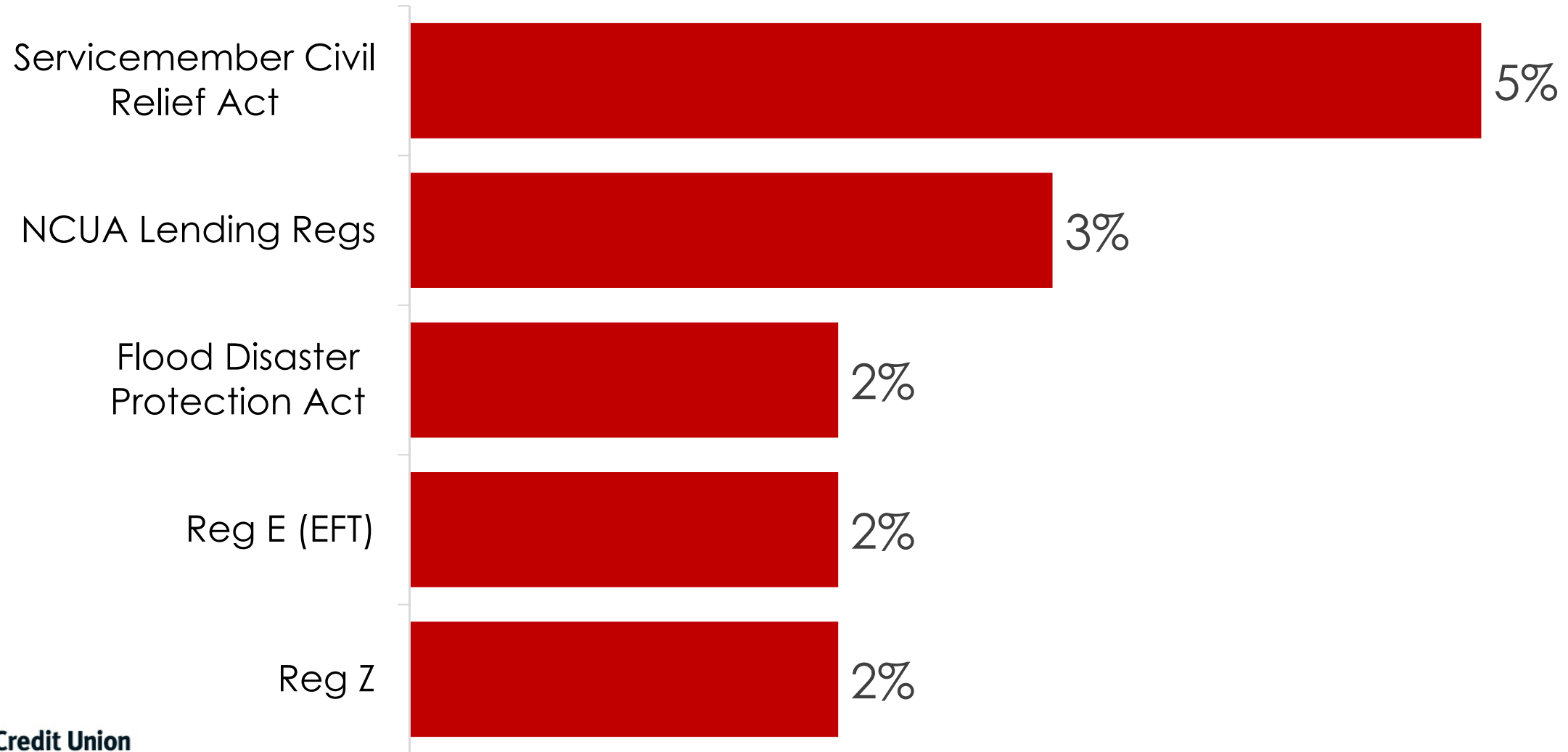
Top Exam Issues Requiring Action

General Safety & Soundness Issues. Total of 20 Issues surveyed.



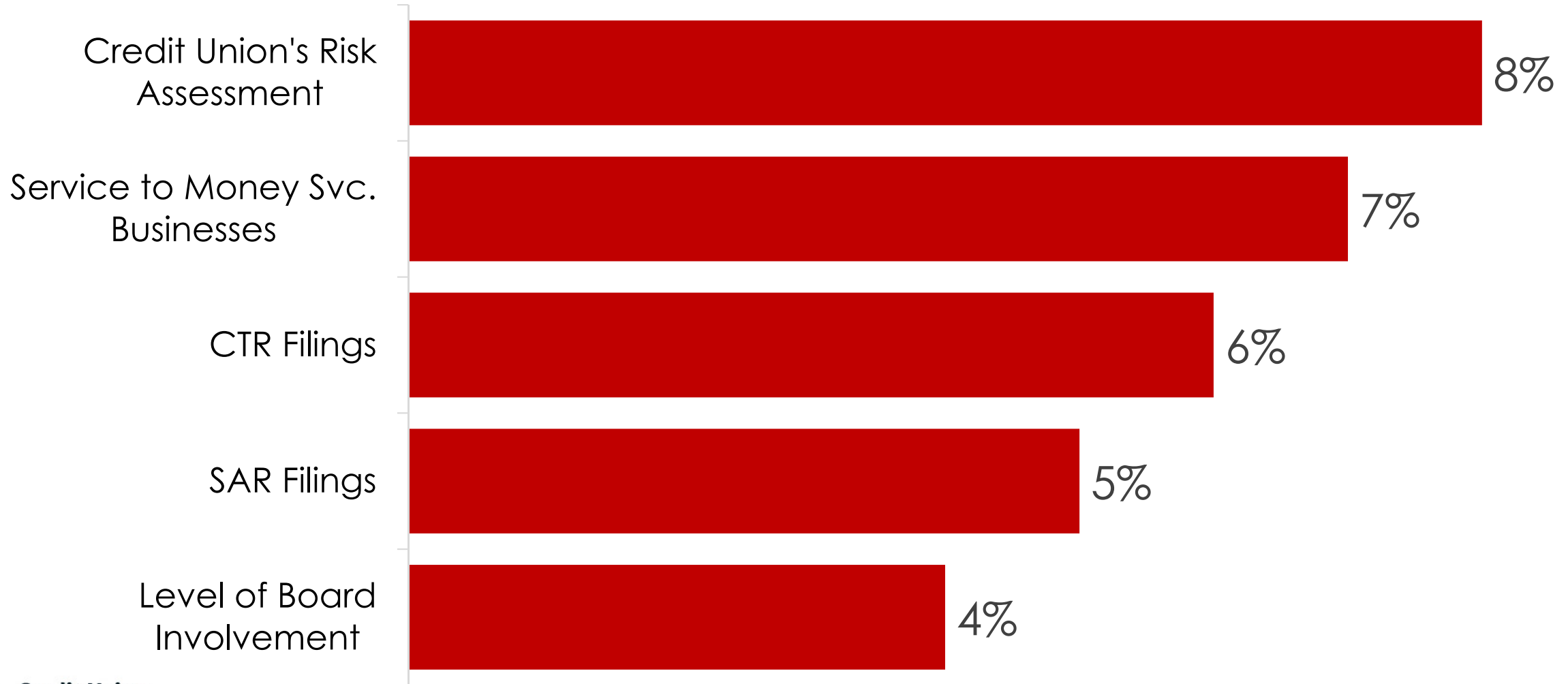
Top Exam Issues Requiring Action

Compliance-Related Issues. Total of 7 Deposit-related and 14 Credit-related Regs/Statutes. No statistically significant differences vs. 2017.



Top Exam Issues Requiring Action

Bank Secrecy Act. Total of 5 issues. No statistically significant differences vs. 2017.



Examiner High Performance

Upon reviewing nearly 25 issues that could arise during the course of an examination, examiners are deemed to be performing best in the following five areas:

- Examiner/exam team was knowledgeable about key safety and soundness issues, and regulatory requirements (85% agree).
- Examiner/exam team gave management the opportunity to comment/respond prior to sharing results with the board (84% agree).
- Examiners are not reluctant to take the time to meet and have a sit-down discussion of preliminary exam findings prior to the exit meeting (78% agree).
- Examiner/exam team was knowledgeable about your credit union (77% agree).
- and examiner/exam team was flexible and open to discussion and exchange of perspectives with credit union staff (70% agree).

Examiner Lower Performance

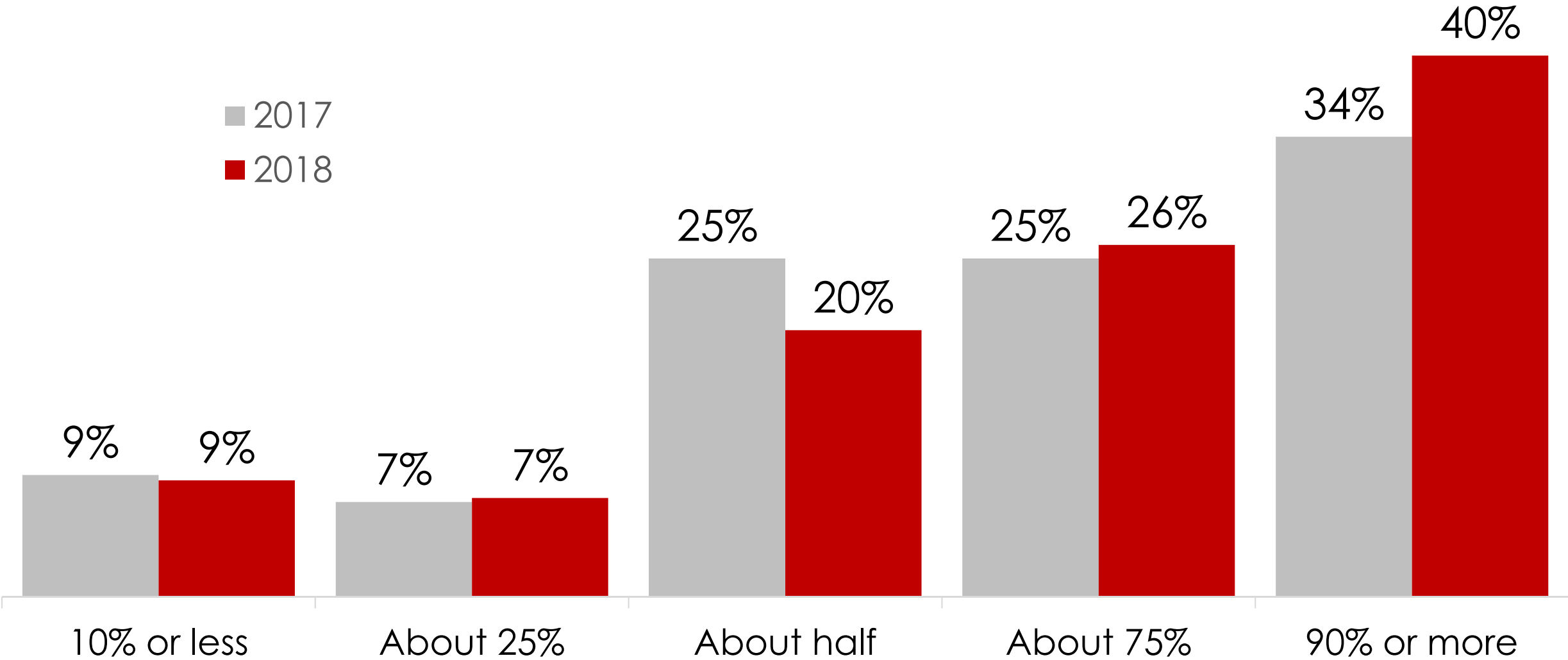
Exam areas identified by credit union CEOs as being most in need of attention and/or improvement include the following:

- Heavier regulatory/exam requirements are putting increasing pressure on credit union resources (66% agree).
- Examiners applied “guidance” as if it was enforceable regulation (51% agree).
- Examiners applied “best business practices” as a regulatory standard (46% agree).
- Examiners are “covering” themselves (41% agree).
- Examiners make recommendations then later provide contradictory guidance (33% agree).
- Items are appearing in DORs that used to be handled more routinely (32% agree).

Special focus issues

- Virtual exam readiness increasing
 - 40% say they have at least 90% of documentation in electronic format – up from 34% in 2017.
- Regional consolidation effect on exam experience reflects concern
 - 32% positive
 - 32% no effect
 - 36% negative

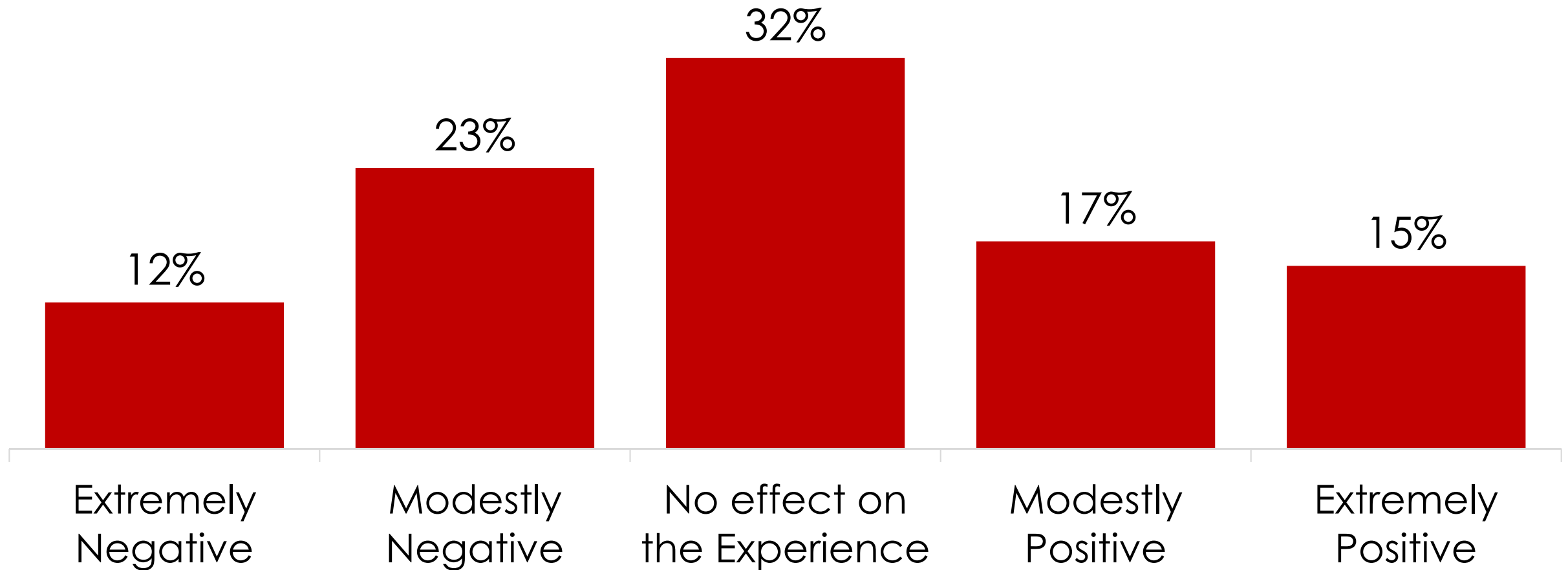
Virtual Exams: % Documentation Electronic



Effect of Consolidation of Regions:

New Exam/Supervision Team Effect on Exam Experience

new teams for 27% of NCUA exams and 24% of joint exams



NCUA Overall Performance Rating

all functions/activities, not exclusively exams

