



League of Southeastern Credit Unions SCUCE – June 15, 2017



Sarah H. Moore, Administrator
Alabama Credit Union Administration



Overview

- Risk Alerts
- Examination Focus
- Role of Supervisory Committee
- Areas for Future Regulatory Changes

Risk Alerts

- **Employee Fraud has increased in small credit unions across the country**
 - Typically, familiarity among the employees causes **relaxation** of internal controls
 - Internal controls are there to **protect** your credit unions – Supervisory committee should ensure that controls are operating as intended



Risk Alerts

- **Auto Lending Programs – “Make more loans to high risk borrowers and make more money”**
 - Auto sales were down nationwide in April 2017 – leading indicator of consumer confidence or lack thereof
 - Loan growth above and beyond peers could indicate an issue



Risk Alerts

- **Ensure that your credit union is underwriting auto loans for add-ons such as warranties, insurance products, etc. and income of the borrower is verified**
- **Ensure that you monitor auto loans by dealer or source**
- **Monitor for trends in title delays, first payment defaults and skips – take immediate action to mitigate risk**





Regulatory Focus for Remainder of 2017

- **Credit, Credit, Credit**
 - Auto lending
 - Unsecured consumer lending
 - Extensions
 - Renewals
 - Proper classification of Troubled Debt Restructures
 - Charge offs in accordance with NCUA letter to Credit Unions #3-CU-01
 - Adequate allowance for loan losses
- **Supervisory Committee Effectiveness**





Supervisory Committee Effectiveness

- **Members elect Supervisory Committee members to perform the following:**
 - A comprehensive annual audit of the books and affairs of the credit union
 - Verify member accounts no less frequently than every two years
- **Supervisory Committee may suspend any officer, director or member of any committee and call the members together to act on such suspension**
Code of Alabama Section 5-17-13

Supervisory Committee Responsibilities

- **NCUA Supervisory Committee Guide**
- **Comprehensive Annual audit is not limited to a financial statement audit by a CPA firm**
- **Follow up on all third party audits to ensure the issues have been resolved**
- **Review file maintenance reports and verify that the transactions were conducted in accordance with policies and were appropriate under the circumstances**



Supervisory Committee Responsibilities

(cont'd)

- Review insider activity including credit union credit card statements to ensure charges are for credit union business
- Review employee expense reports
- Verify activity in dormant accounts
- Verify change of addresses



Supervisory Committee Responsibilities

(cont'd)

- Review a sample of new loans to ensure that loans are made within policy
- Periodic cash counts
- Follow up on examination documents of resolutions, findings, enforcement orders to verify remediation and/or compliance with orders
- Review monthly bank account reconciliements including the supporting documentation, i.e., statements





Areas for Future Regulatory Changes

- **Vendor Risk Management**
- **Clarify appraisal section – no substantive changes**
- **Information Technology**
- **Corporate Governance, board member evaluations, training, etc.**
- **Mergers and Acquisitions – including management payouts**
- **Let us hear from you – Other suggestions?**






Closing

- **ACUA will work diligently with you to maintain a sound and healthy state-chartered credit union system that can adapt to members' changing needs**
- **ACUA welcomes comments and feedback on examinations, laws and regulations**
- **Questions / Comments?**





Alabama Credit Union Administration
100 North Union Street, Suite 650
Montgomery, Alabama 36104
334-353-5770

