



STATE OF ALABAMA
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H. GREG McCLELLAN
ADMINISTRATOR

MEMO TO: State Chartered Credit Union's Board of Directors and Chief Executive Officers

FROM: H. Greg McClellan *By [Signature]*

DATE: December 8, 2025

RE: Elimination of CAMELS Code – Reputation Risks

Dear Boards of Directors and Chief Executive Officers:

On August 7, 2025, the President issued Executive Order (EO) 14331. EO 14331 states that “each appropriate Federal banking regulator shall, to the greatest extent permitted by law, remove the use of reputation risk or equivalent concepts that could result in politicized or unlawful debanking ... from their guidance documents, manuals, and other materials ... used to regulate or examine financial institutions over which they have jurisdiction. The removal of such concepts shall be made clear by each appropriate Federal banking regulator through formal guidance to their examiners.”

Consistent with EO 14331, both the ACUA and NCUA have ceased using reputation risk and equivalent concepts in the examination and supervisory process. Effective October ACUA examiners/employees will no longer base supervisory concerns solely on reputation risk, nor will they refer to or engage in discussions about reputation risk as a part of examinations and supervision contacts of a state chartered credit union. The ACUA has instructed examiners accordingly on a recent staff call.

Like NCUA, ACUA will continue to include key review areas historically classified under reputation risk, like financial liability associated with active litigation and insider abuse, as part of an examination as necessary. Upon further review of ACUA regulations and internal policies, ACUA finds no pertinent regulations or agency policies that require an update to

this regard that may have referenced reputation risk. As a side note, NCUA did issue a similarly worded Letter to Credit Unions (LTCU 25-CU-05) concerning this matter that may be reviewed on their website at www.ncua.gov.

If you have questions, please contact your examiner or the ACUA office.