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BULLETIN: 2020-KDCU-CUB-3
TO: Kansas Chartered Credit Unions
SUBJECT: NCUA Supervisory Priorities for 2020

NCUA SUPERVISORY PRIORITIES

On January 7, 2020, the NCUA issued its annual Letter to Credit Unions ([20-CU-01](#)) outlining its supervisory priorities for 2020. Many of the issues on the list will look familiar and should help all credit unions prepare for their next examination. This bulletin will highlight those items which have been identified during past Kansas credit union exams.

It will come as no surprise that Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) compliance continues to be a priority. There is continued emphasis on the customer due diligence (CDD) and beneficial ownership requirements that became effective in May 2018. In addition, review will include proper filing of SAR's and CTR's. Timely filing of these documents provides law enforcement vital information. The NCUA also provides [BSA resources](#) for credit unions.

If you keep tabs on the news, a day does not go by without the report of a cyber-attack or data breach. Therefore, the NCUA continues to identify cybersecurity as a priority. In 2018, the NCUA began using the Automated Cybersecurity Examination Tool (ACET) to assess credit unions' cybersecurity maturity. The ACET will be fully deployed in 2020 as the NCUA continues to complete assessments for credit unions over \$100 million. The NCUA will also begin piloting new procedures in 2020 to evaluate critical security controls during examinations between maturity assessments. Critical security control reviews will be scaled to credit union size and risk profile. If you have questions or concerns, check out the [resources](#) available on the NCUA website. As with many things, this is a "when," not "if," scenario.

The letter also highlights a number of consumer financial protection requirements that credit unions should follow:

- Electronic Fund Transfer Act (Regulation E): focus on initial account disclosures and error resolution procedures;
- Fair Credit Reporting Act (FCRA): review of credit reporting policies and the accuracy of reporting to credit bureaus;
- Gramm-Leach-Bliley Act (Privacy): evaluate credit union protection of non-public personal information;
- Truth in Lending Act (Regulation Z): evaluation of credit union practices concerning APR and late charges, including how credit unions apply loan payments to principal, interest and other fees; and
- Military Lending Act (MLA) and Servicemembers Civil Relief Act (SCRA): as in the past, these two acts remain a priority and, if a credit union has not received a recent review, examiners will review compliance.

Reviewing credit risk management is a fundamental part of the supervisory process. In 2020, there will be an emphasis on the credit union's loan underwriting standards and procedures and examiners will continue to review concentration risk exposure.

In addition, the NCUA's new examination platform – the Modern Examination and Risk Identification Tool (MERIT) – will be released to all exam staff by the end of 2020. Credit unions will also be users of MERIT, which will provide the ability to transfer documents and obtain status updates.

This bulletin covers only a few items from the supervisory priorities letter and KDCU encourages credit union management to read the full document for additional information.