



NCUA
National Credit Union Administration

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Building Resilience

Succession Planning and NCUA Supervisory
Priorities for Small Credit Unions

Agenda



Introductions



NCUA Supervision Priorities



Importance of Succession
Planning



Workshop on Succession
Planning

Presenters

- Austin Rabon



- Corey Brown



2025 NCUA Supervision Priorities

- **On January 7, 2025, Chairman Todd Harper issued Letters to Credit Unions 25-CU-01**
 - Obviously, some major changes at the NCUA have happened since then.
- **The NCUA continues to operate in a manor that ensures America's credit unions are safe and sound. Which includes the examination program.**
 - However, due to the staffing changes of the agency in response to the President's Executive Orders exam time frames have changed.

2025 NCUA Supervision Priorities

- **Credit Risk**

- The credit union industry saw loan growth moderate in 2024 while overall delinquencies and charge-offs increased.
- The level of delinquency and charge offs at Federally Insured Credit Unions for credit cards at the end of 2024 were at levels higher than that seen in 2008 financial crisis
- Used vehicle loan performance has also materially deteriorated to levels that are the highest on record.

Credit Risk

- To address these issues NCUA examiners will continue to review your credit union's lending and related risk-management practices.
- Reviews will include:
 - Loan Underwriting
 - Collection Programs
 - Allowance for Credit Losses



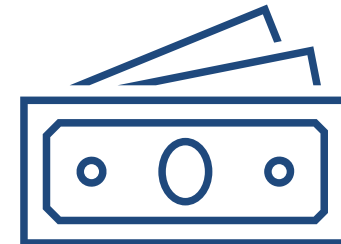
Balance Sheet Management

- Risks that most significantly affect earnings and net worth are credit, liquidity, and market risk, all of which are tied to the institution's ability to manage its financial assets and liabilities.
- Over the past few years, the rising interest rate environment caused some credit unions' net interest margins to be squeezed.



Balance Sheet Management

- Examiners will review current and prospective sources of earnings and the composition of net worth relative to your credit union's approved plans and thresholds.
- Additionally, examiners will continue to look at current and prospective sources of liquidity compared to funding needs.



Cybersecurity

- Cybersecurity remains a top supervisory priority for the industry as cyberattacks against all industries, including credit unions and their vendors, become more frequent and sophisticated.
- A loss or compromise in confidentiality, integrity, or availability of systems or information may lead to fraud, as well as financial and reputational loss.
- It is thus crucial for your credit union to manage its information security programs and continuity of operations plans proactively, and to conduct ongoing due diligence of your critical service providers.

Cybersecurity

- Examiners will continue to use the information security examination (ISE) procedures to assess the credit unions' information security program to ensure they are safeguarding both members and the credit union itself.
- Credit union's are reminded that they need to report cyber incidents to the NCUA within 72 hours after they reasonably believe a reportable cyber incident has occurred.



2025 NCUA Supervision Priorities

The Letter to Credit Unions 25-CU-01 discussed the following priorities which include the following:

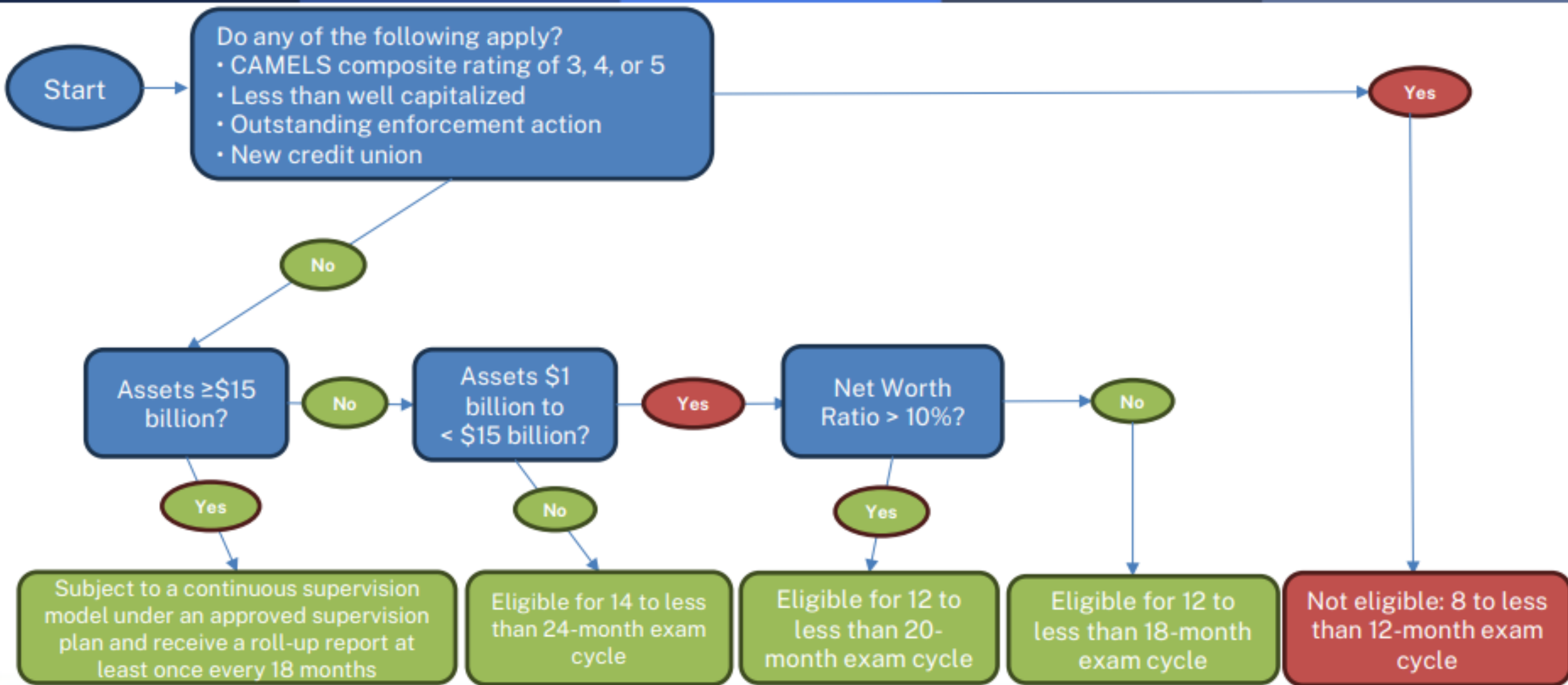
Consumer Financial Protection

- Overdraft Programs
- Fair Lending
- Home Mortgage Disclosure Act and Regulation C
- Military Lending Act
- Electronic Fund Transfer Act and Regulation E

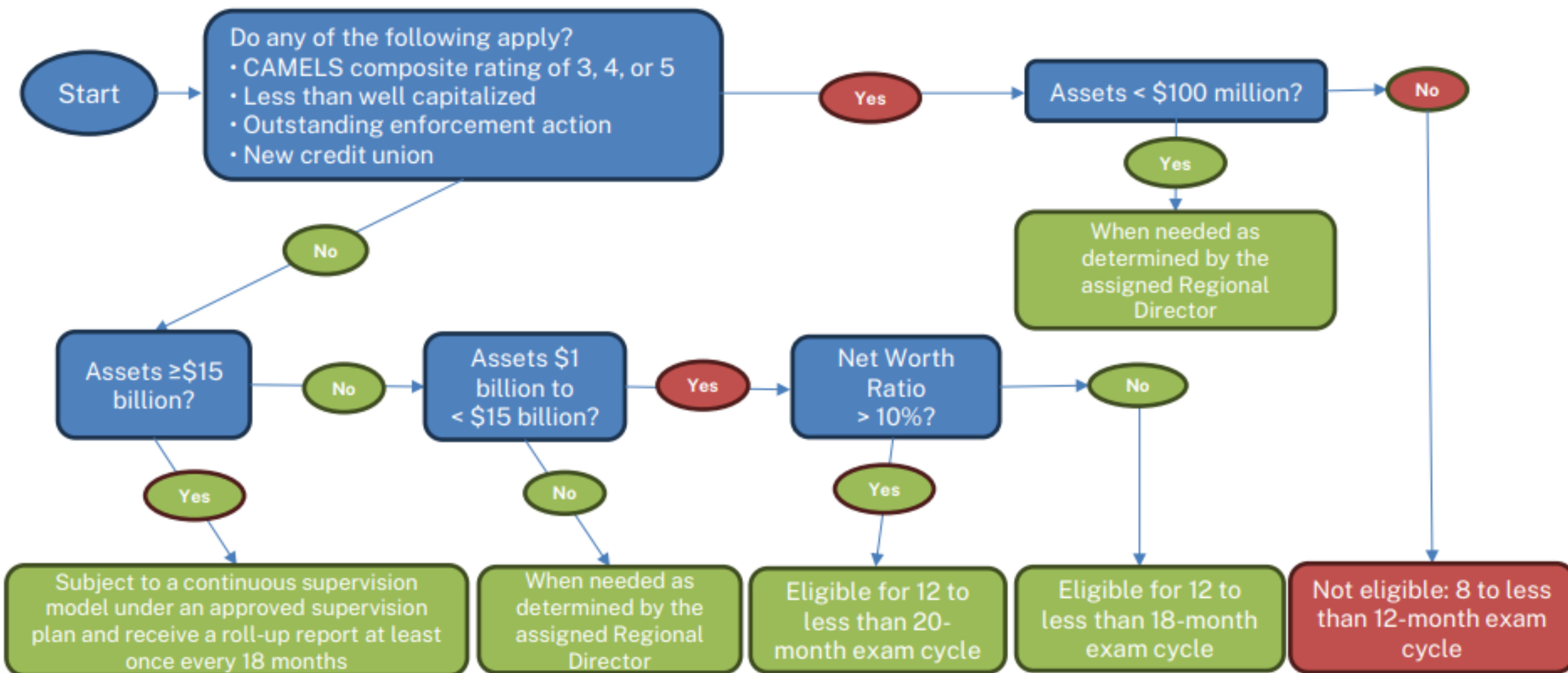
2025 NCUA Supervision Priorities

- The NCUA will continue to offer customized support to credit unions with less than \$100 million in assets and MDIs of all asset sizes through its Small Credit Union and MDI Support Program.
- The NCUA recognizes the value these institutions bring to members in underserved communities by offering access to safe, fair, and affordable financial products and services.
- If eligible, your credit union can request assistance through your examiner, regional office, or the Office of Credit Union Resources and Expansion.
- This assistance may be used to support the board, supervisory committee, or managers with a variety of credit union needs.

Federal Credit Union Eligibility



Federally Insured, State-Chartered Credit Union Eligibility



Questions





BREAK FOR THIRTY MINUTES





SUCCESSION PLANNING WORKSHOP



Importance of Succession Planning

- **Effective January 1, 2026, a final rule on succession planning will take effect.**
- **This final rule requires that a Federal Insured Credit Union board of directors establish a written succession plan that addresses specified positions and contains certain information.**
- **The final rule also requires that newly appointed members of the board of directors have a working familiarity with the succession plan no later than six months after appointment.**

Importance of Succession Planning

- **Why was this rule created?**

- It is well known that a number of voluntary mergers over the past years has been due to a lack of succession planning especially amongst smaller credit unions.
- The NCUA has a vested interest in ensuring that we prevent mergers for these reasons because small credit unions are vital to the credit union movement.
- The ongoing retirement of the “Baby Boomer” generation who are between currently between the ages of 61 and 79 years old.

Importance of Succession Planning

- **What is Succession Planning?**
 - A strategic process of identifying and developing internal candidates to fill key organization roles when those roles become vacant due to transitions, departures, or unforeseen events.
- **Who Needs a Succession Plan?**
 - All credit unions regardless of size need a succession plan, however the level of detail should vary on the size and complexity of the credit union.

Importance of Succession Planning

- **Contents of a succession plan**
 - The final rule requires the following:
 - Title for each covered position and expiration of the incumbent's term (if serving in a term-limited capacity) or other anticipated vacancy date if known (such as retirement)
 - Plan for permanently filling the vacancy for each position
 - Strategy for recruiting candidates with the potential to assume each of the positions. The strategy must consider how the selection and diversity of skills among the employees covered by the succession plan collectively and individually promotes the safe and sound operation of the credit union.

Succession Planning Workshop

- **What Positions Need to Have a Succession Plan?**
 - The new rule requires that the following positions at a minimum are covered by a succession plan:
 - Members of the Board of Directors
 - Management Officials and assistant Management officials
 - Any other personnel the board of directors deems critical given
 - **Best practices:**
 - You should have a succession plan or at least personnel who is cross trained on all critical roles in the credit union such as bookkeeping, ACH, Wires, Lending, BSA, etc.

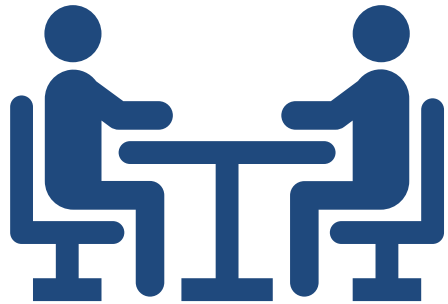
Succession Planning Workshop

- **Best Practices when making a Succession Plan**
 - Start Early and Plan Continuously
 - Identify Critical Roles
 - Assess Current Talent
 - Develop Successors
 - Incorporate Diversity
 - Test the Plan



Succession Planning Workshop

- Hopefully you filled out the Succession Planning Template prior to today. We are going to as small groups talk about what our weaknesses and strengths are in our templates.



Succession Planning Workshop

- **What issues do you have filling out this template?**
 - Small staff
 - Lack of engagement from membership
 - Board members who don't want to resign or not run again to allow younger or new board members join
 - Potential board members feel as if they are unqualified

Succession Planning Workshop

- **Topics for group discussion:**
 - Board age limits
 - Attendance Requirements for board members
 - Advisory Committees
 - Trainings for board members
 - Who makes a good board member?
 - Mentorship opportunities
 - Transparency when appropriate

Succession Planning Workshop

- **Resources for board training:**
 - The NCUA has free on-demand online training available at no cost.
 - It is available only to credit union staff and volunteers, and requires users to create individual accounts
 - Trainings are broken into five general categories:
 - How the credit union system works
 - How credit unions are governed
 - Credit union operations
 - Products and services
 - Building Community Partnerships



Questions



Additional Resources

- **Credit Risk**

- Refer to the Examiner's Guide and the following Letters to Credit Unions:

- 23-CU-05, Commercial Real Estate Loan Accommodations and Workouts
 - 23-CU-04, Update to Interagency Policy Statement on Allowances for Credit Losses
 - 14-CU-08, Home Equity Lines of Credit Nearing Their End-of-Draw Period
 - 10-CU-03, Concentration Risk
 - 09-CU-19, Evaluating Residential Real Estate Loan Modification Programs
 - 07-CU-13, Evaluating Third Party Relationships
 - 03-CU-01, Loan Charge-off Guidance
 - 91-CU-120, Interest Rate Adjustment Errors for ARM Loans

Additional Resources

- **Liquidity Risk**

- NCUA's Examiner's Guide and the Liquidity Risk Resources webpage found at, <https://ncua.gov/regulation-supervision/regulatory-compliance-resources/liquidity-risk-resources>.

- **Interest Rate Risk**

- Letter to Credit Unions 22-CU-09, Updates to Interest Rate Risk Supervisory Framework
- Supervisory Letter 22-01, Updates to Interest Rate Risk Supervisory Framework

Additional Resources

- NCUA Succession Plan Template for Small Credit Unions - <https://ncua.gov/files/agenda-items/succession-plan-template-20241217.pdf>
- NCUA Learning Management System - <https://ncua.gov/support-services/credit-union-resources-expansion/learning>
- NCUA Cybersecurity Resources - <https://ncua.gov/regulation-supervision/regulatory-compliance-resources/cybersecurity-resources>