



DCU BULLETIN

Division of Credit Unions

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Extended Exam Cycles

The Division of Credit Unions (DCU or Division) is extending the safety and soundness examination cycle for qualifying CAMEL 1- and 2-rated credit unions to 18 months and 16 months, respectively. In October 2000, the exam cycle for 1- and 2-rated credit unions was about 14 months.

The purpose of the new approach is to create efficiencies in the exam process so the Division can focus more attention on credit unions with higher risks. We expect a full scope examination of 3-rated credit unions about every 12 months with follow-up examinations as needed in the interim.

The Division will determine which 1- and 2-rated credit unions qualify for the extended exam cycle based on such factors as:

- No “3” or lower ratings in any CAMEL component
- Healthy financial ratios and trends
- Timely and accurate 5300 reporting by the credit union
- History of adequate corrective action to previous exam and audit findings, requirements, and recommendations

With this approach fully implemented, we intend that safety and soundness exam cycles will follow these guidelines:

CAMEL Composite Rating	Target Months Between Full Scope Exams
Qualifying 1	18
Qualifying 2	16
Non-qualifying 1 & 2	14
3, 4, or 5	12

The transition to this approach may not be completed until late 2001. Because of scheduling problems, we may still have to schedule exams a month or more “off” the target frequency. Of course, DCU may initiate an exam at any time that it believes conditions warrant.

Please call Mike Delimont at (360) 902-8790 with any comments or questions relating to this policy.