



**NCUA**  
National Credit Union Administration

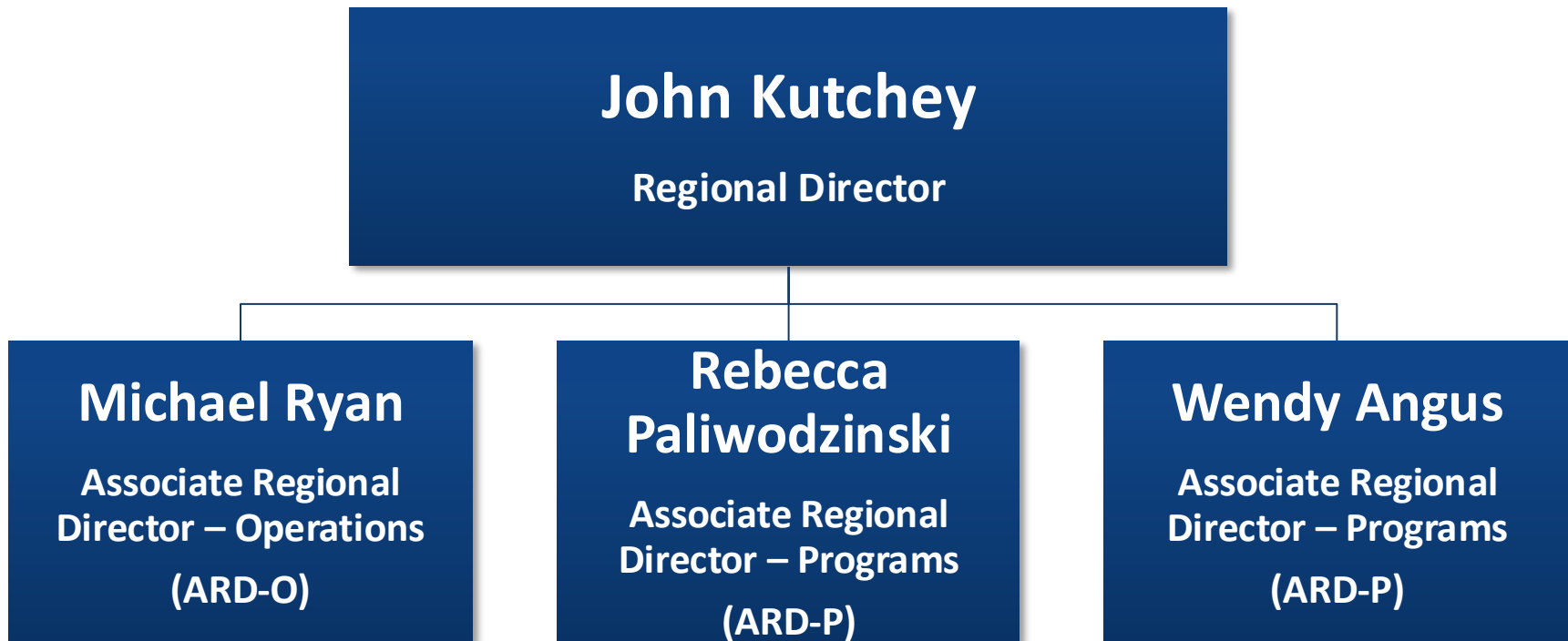
Wendy Angus, Associate Regional  
Director of Programs  
Eastern Region

# Eastern Region Trends and Supervisory Priorities

October 2024

**Any opinions expressed are the presenter's own views and do not necessarily reflect those of the National Credit Union Administration or the NCUA Board.**

# Eastern Region Organizational Chart

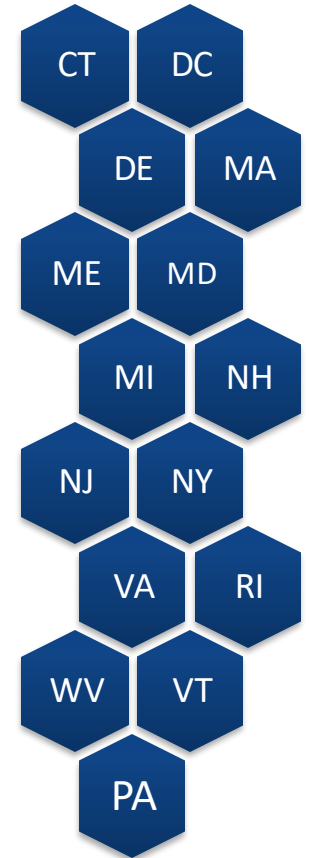
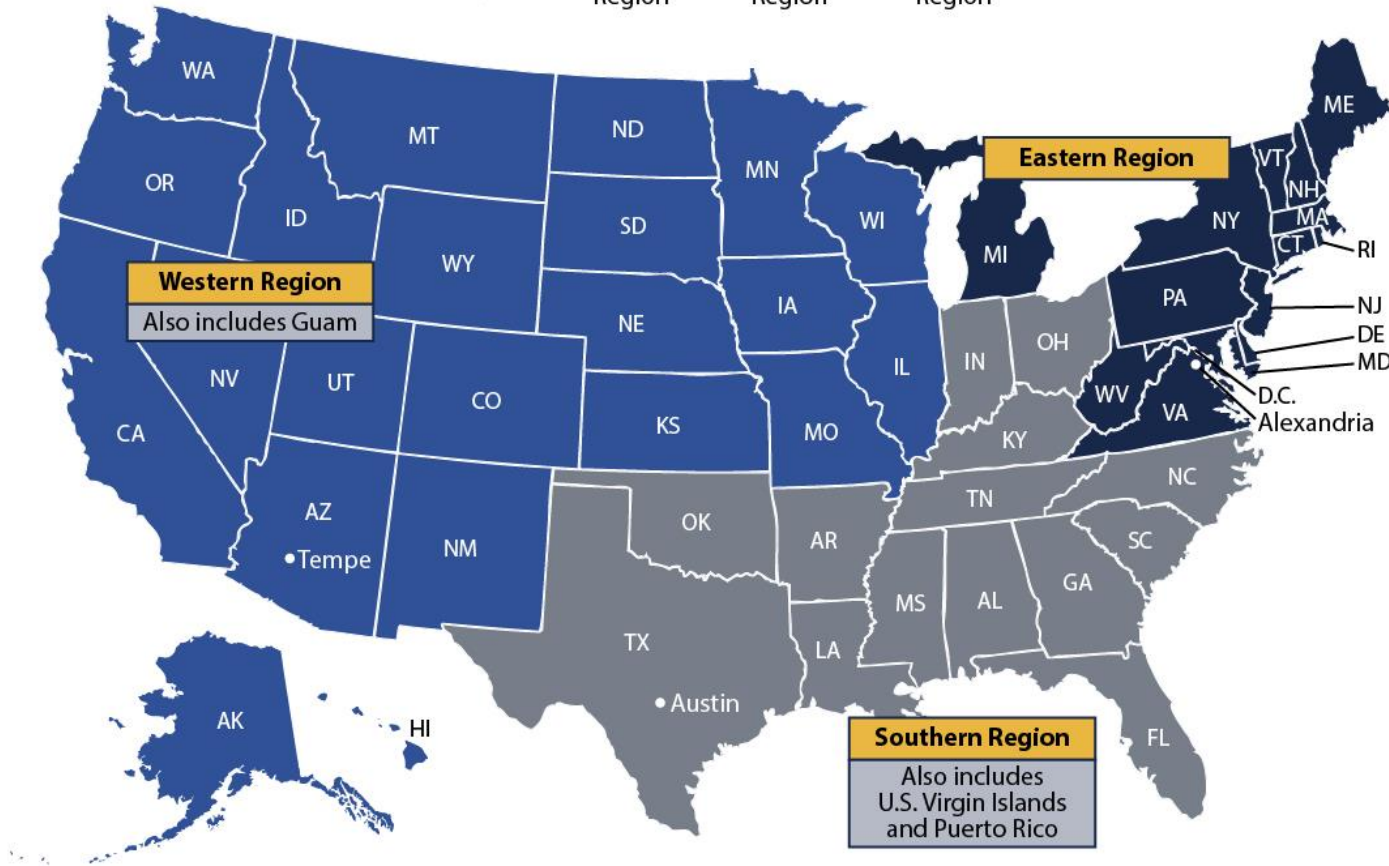


# Regional Structure

NCUA Regional Structure as of January 2023

Eastern Region States

**Map Key**    ■ Eastern Region    ■ Southern Region    ■ Western Region

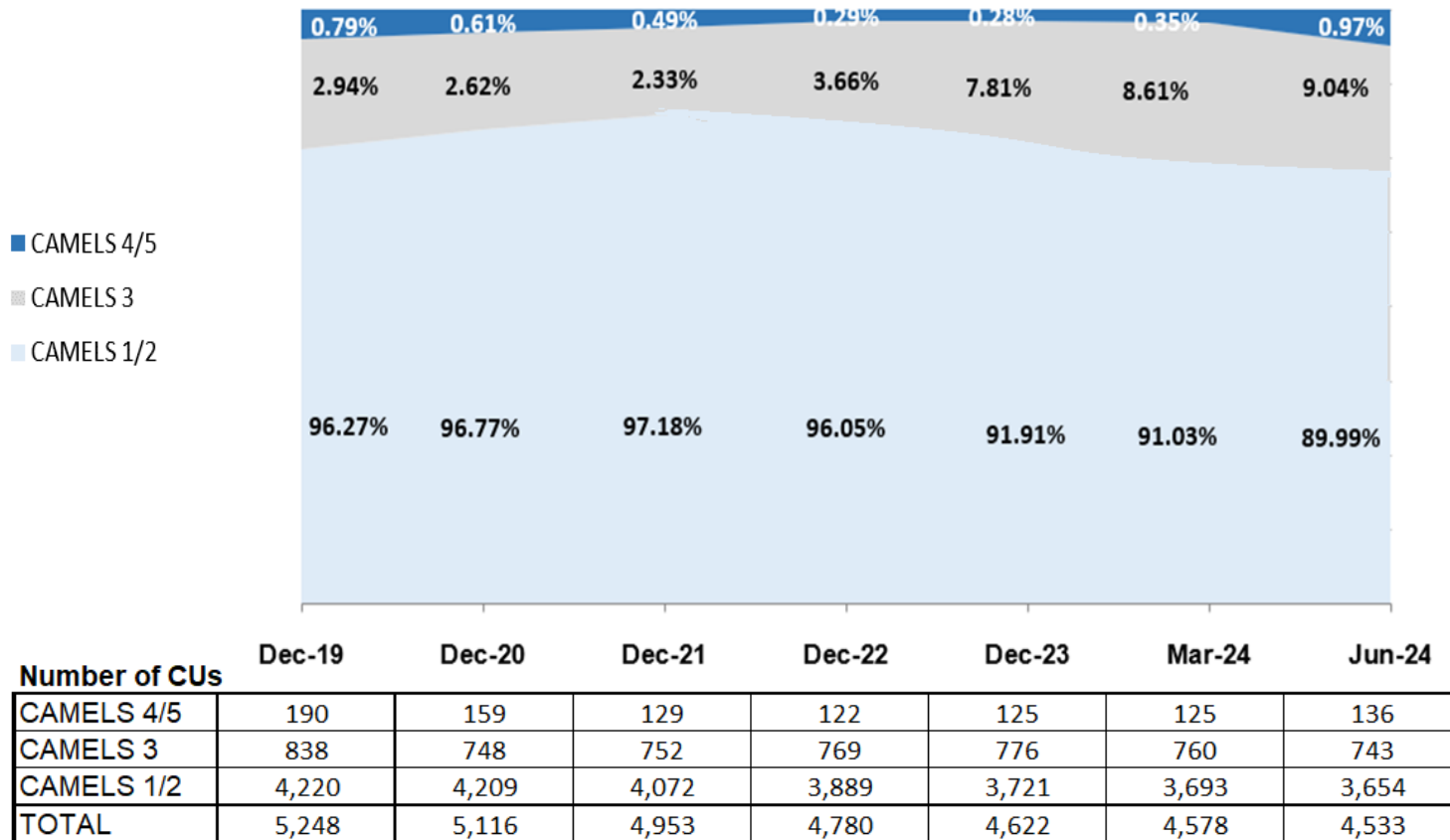


Eastern Region Trends and Supervisory Priorities

# Percentage of Insured Shares and Total Number of CUs by CAMELS Code

## CY2019 – Q2 CY2024

Percentage of Insured Shares by CAMELS Rating\*



\*Areas are not to scale.



# FINANCIAL TRENDS

# Maine Credit Union Trends

Ratio	Nation 12/31/23	Nation 6/30/24	Eastern 12/31/23	Eastern 6/30/24	ME 12/31/23	ME 6/30/24
Net Worth	10.94	11.07	10.96	11.07	10.33	10.33
Return on Average Assets	0.68	0.69	0.62	0.69	0.78	0.61
Delinquent Loans to Loans	0.83	0.84	0.76	0.75	0.66	0.65
Net Charge Offs	0.61	0.79	0.37	0.52	0.20	0.27
Loans to Shares	85.21	83.97	83.27	81.80	81.01	79.71
Loan Growth (annualized)	6.38	1.86	-1.23	1.39	7.76	4.66
Cash & ST Investments	11.47	12.74	11.22	13.08	13.32	14.35



# **SUPERVISORY PRIORITIES**



# Supervisory Priorities



**Credit Risk**

**Liquidity Risk**

**Interest Rate Risk**

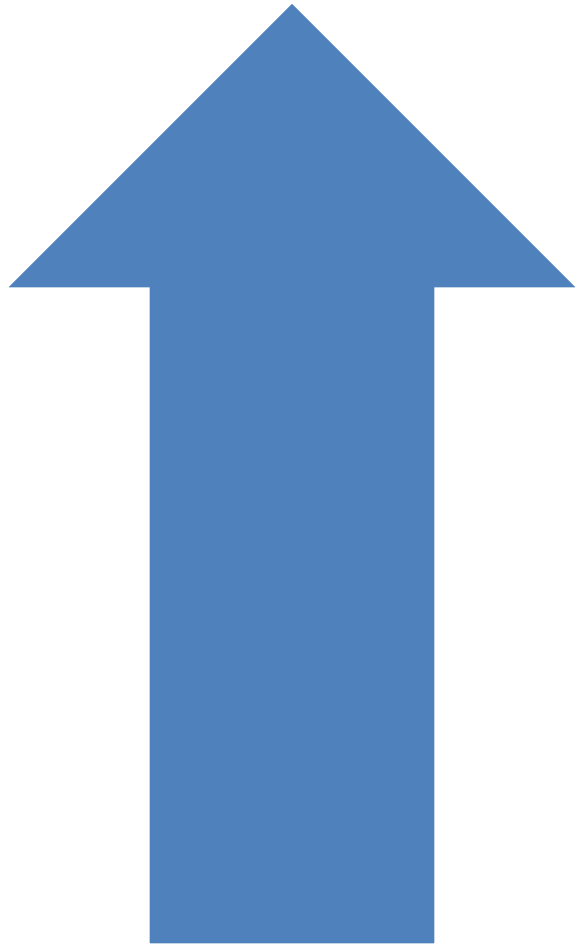
# Supervisory Priorities



**Information Security (Cybersecurity)**

**Consumer Financial Protection**

# Credit Risk

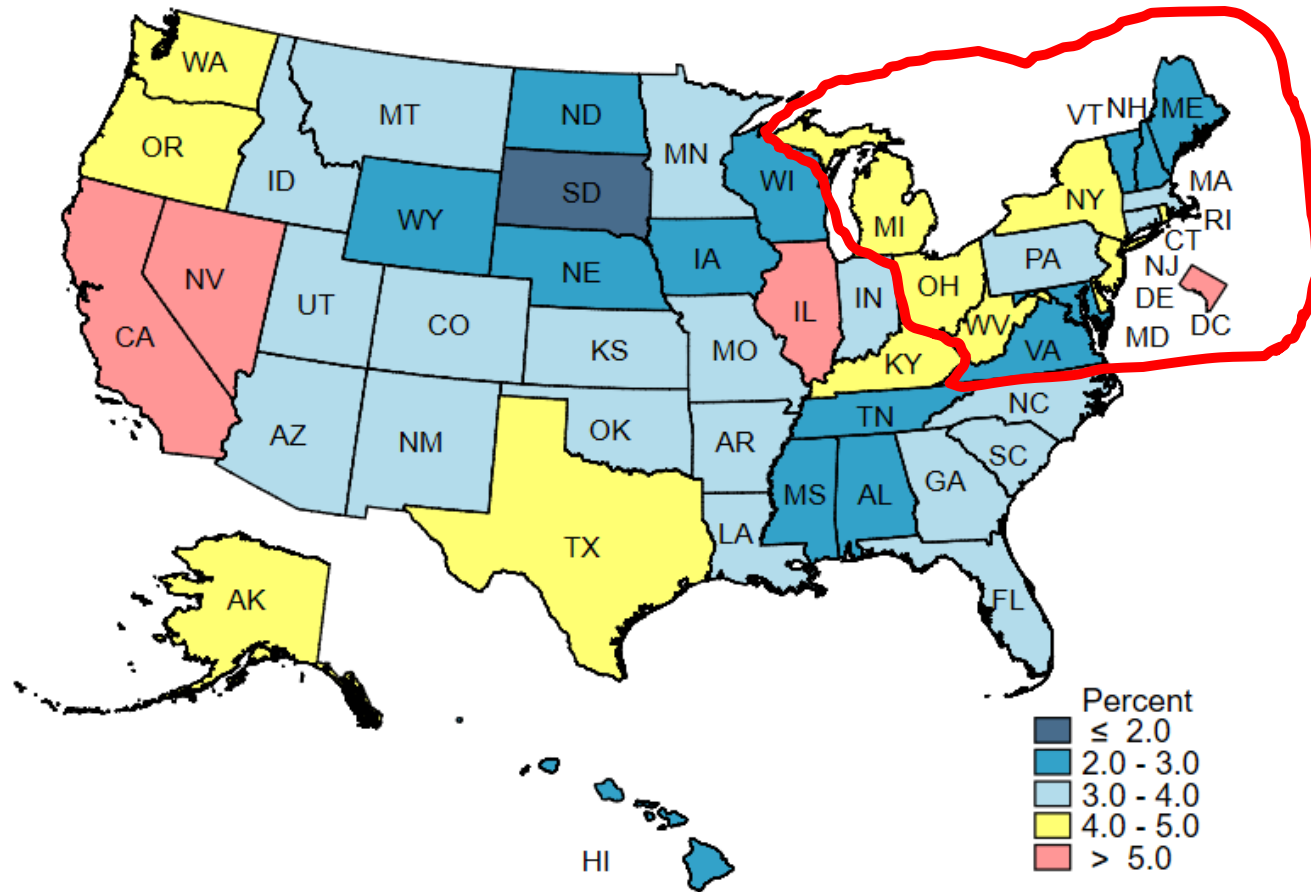


Inflation and high interest rates are putting financial pressure on credit union members.

- May negatively impact borrowers' ability to repay outstanding debt.

# Labor Market Conditions

## State Unemployment Rates, July 2024



US: 4.3% Source: BLS

# Credit Risk

## Examiners will review:

- Soundness of existing lending programs.
- Any adjustments made to loan underwriting standards and portfolio monitoring practices.
- Loan workout strategies for borrowers facing financial hardships.
- Policies, procedures, methodology, and adequacy of the Allowance for Credit Losses (ACL) account.

# Liquidity Risk

- Pressure in deposit pricing and the use of wholesale funding is accelerating as alternative funding options.



- Member behaviors and risk relationships are changing, thus requiring a greater focus on forecasting assumptions, forward-looking cash flows, and risk projections.

# Liquidity Risk

## Examiners will review:

- The potential effects of changing interest rates on the market value of assets and borrowing capacity.
- Scenario analysis for liquidity risk modeling, including possible member share migrations.
- Scenario analysis for changes in cash flow projections for an appropriate range of relevant factors.
- The cost and diversity of funding alternatives under normal and stressed conditions.
- The appropriateness of contingency funding plans to address unexpected liquidity shortfalls.

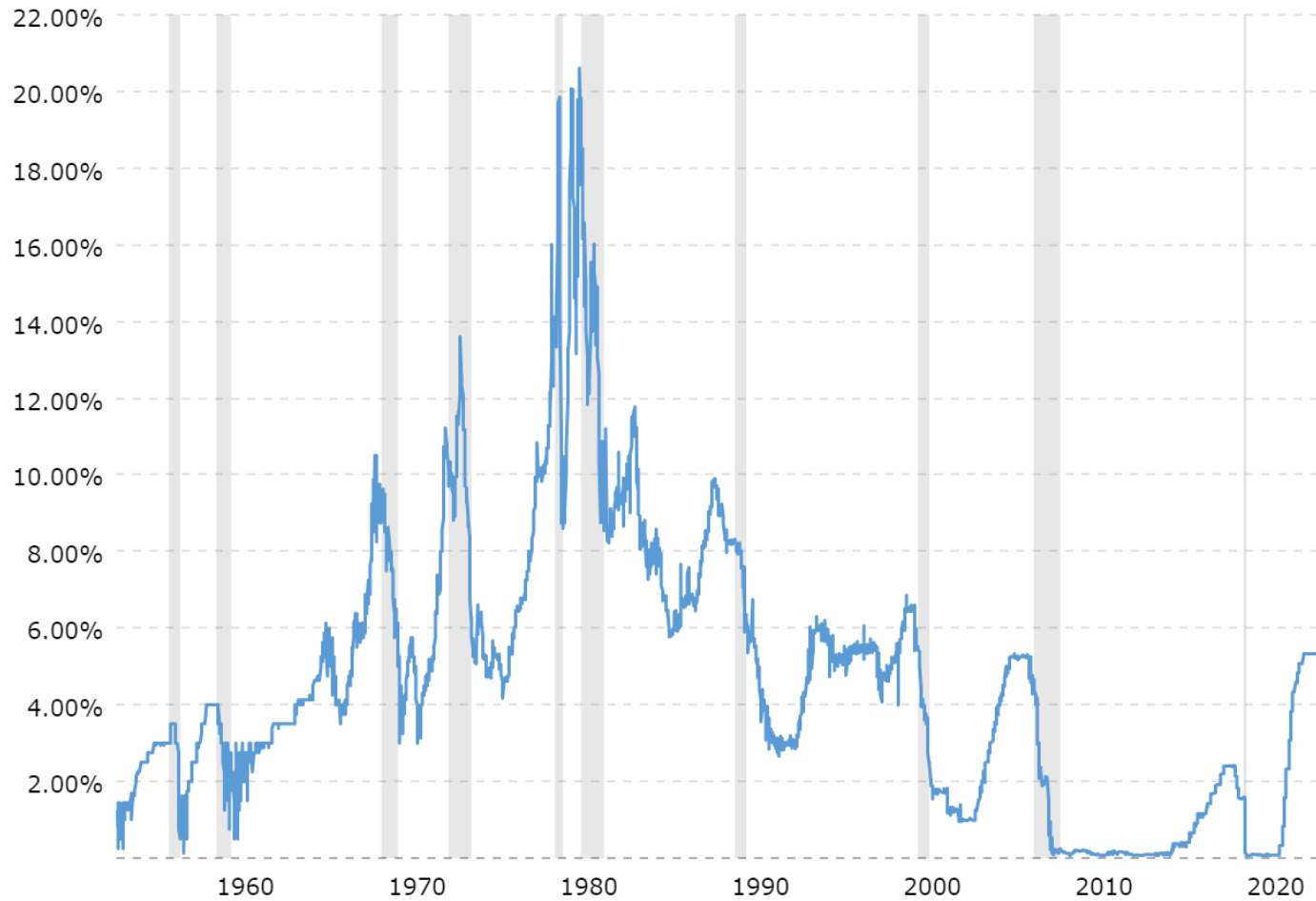
# Interest Rate Risk (IRR)

Higher interest rates continue to amplify market risk in asset and liability repricing mismatches.





# Historical Fed Funds Rates



# Interest Rate Risk

## Examiners will review:

- Key assumptions and related data sets for reasonableness.
- Back testing and sensitivity analysis of assumptions.
- Overall level of IRR exposure and sufficiency of measurements and controls.
- Communication of measurement results to key decision-makers and the board.
- Proactive actions taken to remain within safe and sound policy limits.

# Information Security (Cybersecurity)

- Cybersecurity risks remain a significant, persistent, and ever-evolving threat to the financial system.
- Effective September 1, 2023, the NCUA implemented a new Cyber Incident Notification Reporting Rule, mandating credit unions to swiftly notify the NCUA of cybersecurity incidents.



# Information Security (Cybersecurity)

## Examiners will:

- Review the adequacy of established information security programs to protect members and the credit union.
- Continue to utilize the Information Security Examination procedures tailored to credit unions of varying size and complexity in 2024.

# Consumer Financial Protection

The NCUA will continue to review compliance with applicable consumer financial protection laws and regulations for federal credit unions.



# Consumer Financial Protection

## Examiners will review:

- Overdraft Programs
  - Expanded review to include website advertising, balance calculation methods, and settlement processes.
- Auto Lending
  - Compliance with the Truth in Lending Act (Reg Z) and policies regarding GAP insurance.
- Fair Lending
  - Review of policies and procedures for marketing & pricing discrimination risk factors.



# OTHER UPDATES

# Support for Small Credit Unions and Minority Depository Institutions (MDIs)

- In 2024, the NCUA remains committed to supporting small credit unions and MDIs.
- Credit unions with less than \$100 million in assets and MDIs of all sizes can request assistance.





# Resources

## NCUA's 2024 Supervisory Priorities

- [NCUA Supervisory Priorities](#)

## Interest Rate Risk:

- [Letter to Credit Unions 22-CU-09,](#)
- [Examiner's Guide Workpapers and Resources](#)

## Liquidity Risk:

- [Examiner's Guide](#)
- [Liquidity Risk Resources](#)

# Resources

## Credit Risk:

- Letters to Credit Unions [23-CU-05](#); [14-CU-08](#); [10-CU-03](#); [03-CU-01](#)
- [Interagency Policy Statement on Allowance for Credit Losses](#)

## Information Security (Cybersecurity)

- [NCUA Cybersecurity Resources](#)
- [Letter to Credit Unions 23-CU-07](#) (Cyber Incident Notifications)

## Consumer Financial Protection Resources

[Consumer Compliance Regulatory Resources](#)

# Contact Information

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**Feel free to contact us with questions or comments.**

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