

2018 Hike the Hill  
Photos Inside

# League Peaks

Fall 2018

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No. 624

## Governor Justice Proclaims October 18 as ICU Day in Mountain State



As credit union members around the world celebrated International Credit Union Day, an annual event to commemorate the credit union movement's impact and achievements, West Virginia Governor Jim Justice formally issued a proclamation noting the occasion. Justice's formal announcement states that "credit unions embrace a *people-helping-people* philosophy through the pooling of personal resources and leadership abilities for the good of the cooperative, empowering members to improve their financial futures and uniting to help those in need."

"We thank Governor Justice for formally recognizing the good work credit unions are doing around the state for its fellow citizens," stated League President Ken Watts. "From their modest and humble beginnings, and through the present day, the West Virginia credit union movement has been blessed with many volunteers and staff who have tirelessly promoted the values of credit unions among co-workers, in their communities, and at their places of worship," he added.

Since 1948, International Credit Union Day has been celebrated annually on the third Thursday of October.

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## Registration open for 2019 CUNA Governmental Affairs Conference

*Date set for March 10-14, 2019*

The West Virginia Credit Union League and Credit Union National Association (CUNA) invite credit unions to register for the 2019 CUNA Governmental Affairs Conference (GAC), being held in Washington, D.C. March 10-14, 2019.

The CUNA GAC annually attracts more than credit union leaders to our nation's capital annually to rally around a united cause – to tell legislators how their lawmaking affects credit unions and their more than 110 million members.



"We've seen great legislative successes for credit unions this year, including the passing of Common Sense Regulation S. 2155," said CUNA President and CEO Jim Nussle. "But there's always more we can do to serve our members and our movement, and the more people lend their time and voices each year, the stronger our message is to nation's lawmakers."

At the heart of CUNA GAC are Hill visits, which are organized by the West Virginia Credit Union League.

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# TRGroup Partners with Radford University to Offer Cybersecurity Online Training for Credit Unions

*League member credit unions eligible*

## Self-paced courses offer 12 month completion window

The [TRGroup](#) and [Radford University's IMPACT Lab](#) have partnered to provide cybersecurity training to credit unions' staff to ensure the assets of all of your credit unions are protected against cybercrime.

[TRGroup](#) is an LLC formed by seven state credit union trade associations (Virginia, Kentucky, Louisiana, Mississippi, Tennessee, West Virginia, and Indiana). Radford University has been designated a National Center of Academic Excellence in Cyber Defense Education by the National Security Agency and Department of Homeland Security.

There has been an unprecedented rise in cyber threats across every industry including the financial sector. The average cost of a data breach for financial services businesses is estimated to be approximately \$7 million. Cybercrime is one of the most notable threats for credit unions and the number one concern for credit union regulators; therefore, it is imperative for credit unions to encourage professionals responsible for cybersecurity to go through this training to ensure they are more prepared and have another layer of protection from cybercrime.

The award-winning IMPACT cybersecurity training program is designed to address this threat by developing credit unions' workforce to protect your organization's assets. The training is delivered completely online and self-paced to ensure your staff are mastering cybersecurity skills at times most convenient to them.

The training is aligned with industry workforce standards (e.g., NIST) and employs research-based practices from cognitive science, analytics, simulation-based learning and gamification to ensure it is highly effective and engaging.

The 18-credit hour Cybersecurity certificate is \$6,000 for an unlimited 12-month license. This is a great program for



## Cybersecurity Coursework

- CBIT 100: Ethics and Laws of Cybersecurity
- CBIT 101: Foundations of Cybersecurity
- CBIT 240: Data and Web Security
- CBIT 250: Network Security Fundamentals
- CBIT 475: Penetration Testing and Incident Handling
- CBIT 476: Cyber Defense

IT staff who are responsible for keeping your data secure. The 4-credit hour Cyber Defense course is \$1,250 for a 12-month license. This is a program for any staff who need cyber awareness or are responsible for cyber policy for the credit union.

For more information, visit <https://www.radford.edu/content/impact/impact-trgroup.html> or contact Rich Schaffer ([rschaffer@wvcu.org](mailto:rschaffer@wvcu.org)) at the League office.



# S. 2155 Provides Much Needed Regulatory Relief

**T**he Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (S. 2155), signed into law on May 24, 2018, provides targeted regulatory relief to credit unions and banks.

It also strengthens consumer protections for student borrowers, seniors, veterans, and victims of identity theft. CUNA and the leagues engaged heavily with both the Senate and House throughout the process, resulting in historic regulatory relief for credit unions.

CUNA provided a brief summary of the key provisions that may affect credit unions, particularly mortgage lenders.

**It is important to note** that many of these provisions will require rulemaking by the financial regulatory agencies, so this is the beginning rather than the end of the journey. Credit unions can expect additional guidance in the coming months.

## Mortgage lending

**Ability-to-repay:** Section 101 creates a new qualified mortgage compliance option under the Truth in Lending Act (TILA) for depository institutions with less than \$10 billion in assets that originate and hold mortgages in portfolio. This is in addition to the existing Small Creditor Portfolio Qualified Mortgage.

**Appraisals:** Section 103 provides a tailored exemption from appraisal requirements for federally related mortgages with a transaction value of less than \$400,000 in rural areas—when the lender has contacted three state-licensed or certified appraisers that couldn't complete an appraisal within a "reasonable" amount of time.

**Escrow requirements:** Section 108 exempts any loan made by a credit union or bank from the TILA escrow requirements if the institution has assets of \$10 billion or less, has originated fewer than 1,000 mortgages in the preceding year, and meets certain other criteria.

**Home Mortgage Disclosure Act (HMDA) adjustment:** Section 104 exempts small-volume mortgage lenders from the expanded HMDA data reporting requirements, which became effective Jan. 1, 2018, if certain conditions are met.

For closed-end mortgage reporting, the conditions require that the credit union has originated fewer than 500 of such loans in each of the preceding two calendar years.

For home equity lines of credit (HELOC), the credit union must have originated less than 500 HELOCs in each of the preceding two calendar years. In addition, lenders subject to the Community Reinvestment Act (CRA) must achieve certain CRA compliance ratings.

**Member business loans:** Section 105 amends the Federal Credit Union Act's definition of "member business loan" to exclude loans made by federal credit unions for one- to four-unit single-family homes that are not the member's primary residence. These loans will no longer count against a credit union's member business lending cap of 12.25% of assets.

**SAFE Act:** Section 106 allows state-licensed mortgage loan originators (MLO) who are licensed in one state to temporarily work in another state while waiting for licensing approval in the new state if they meet certain conditions. It also permits MLOs who move from a credit union or other depository institution (where MLOs don't have to be state-licensed) to a non-depository institution a grace period to complete the state's licensing requirements.

**TRID waiting period waiver:** Section 109 eliminates the three-day waiting period (between receipt of the mortgage disclosure and closing) required by the TILA-RESPA Integrated Disclosure regulations if the creditor extends to the consumer a second offer with a lower annual percentage rate (APR) than was offered in the previous TRID disclosure.

**NCUA budget:** Section 212 amends the Federal Credit Union Act to require NCUA to publish a draft of the agency's proposed budget in the Federal Register, hold a public hearing to discuss the draft, and solicit and consider public comment about the draft budget.

**Online account opening:** Section 213 permits financial institutions to use a scan of, make a copy of, or receive the image of a driver's license or identification card to record the personal information of a person requesting to open an account or use some other service through the internet.

The provision requires deletion of the image after use, and pre-empts state laws that conflict with this provision.

CUNA is seeking additional clarification regarding the deletion requirement.



CUNA & Affiliates



HIKE THE HILL



West Virginia  
Credit Union League

2018

### Participating Credit Unions

Alloy FCU

Bayer Heritage FCU

First Choice America Comm. FCU

Kemba Charleston FCU

Members Choice WV FCU

Morgantown AES FCU

One Community FCU

Strip Steel Community FCU

West Virginia Central FCU





**30**  
credit union  
advocates

Nine credit unions  
participating

**9**

Speaking  
with one  
voice  
**1**



# CU Solutions Group Offers Web Accessibility Help

## Is your website excluding millions?

Unless your website is designed and/or coded with digital accessibility in mind, more than 15 percent of the population cannot access it. This population includes people who rely on assistive technology such as screen readers, aging populations, and those with varying levels of vision, mobility and/or cognitive disabilities.

When you put your website in our hands, you will not only receive an audit that detects violations related to the Americans with Disabilities Act (ADA), but you will also be enhancing its usability.

## Sustainable Web Accessibility

### Go beyond compliance for a customizable and enhanced user experience.

The full scope of Americans with Disabilities Act regulations hasn't been published yet, but the Department of Justice has already made it clear that businesses are responsible for ensuring their websites are currently accessible to people with disabilities. Financial institutions are prime targets for lawsuits alleging that a website is not accessible enough to disabled people. ADA compliance readiness involves ensuring that your website is compatible with the latest accessibility software and hardware for the disabled. For example, do you know if text-to-braille hardware can effectively communicate with the code of your website so a blind or visually impaired person can read the content? If you're not sure, chances are that your site could be a lawsuit waiting to happen.

### Begin your journey to inclusion now with a website accessibility audit.

Technology Solutions from CU Solutions Group will perform a full review of your website to assist in identifying accessibility issues. Our consultation, combined with our partner AudioEye to update your current website, will give you peace of mind, helping you to provide a more inclusive experience. We know that your credit union cares and we want to help you ensure that this care is reflected in your website.

The only way to determine whether a screen reader can communicate with your site is to complete a comprehensive analysis of your website's code and content. Once the analysis is complete, we will not only begin resolving issues automatically but continually as your website evolves.

## Key Features

- Third-party site link issues
- Content or other programming issues
- Section 508(A) issues
- WCAG 1.0 Level A and AA issues
- WCAG 2.0 Level A and AA issues
- Digital Accessibility Platform, a turnkey solution for achieving conformance with ADA-related digital accessibility requirements\*
- Ally Toolbar, a web enhancement tool that allows any site visitor to customize their experience and is especially helpful for aging populations and individuals with vision, hearing, motor or cognitive disabilities, those who are color blind, dyslexic, are learning to read or may better comprehend information by listening rather than reading\*



CU Solutions Group has been the trusted leader in compliance assistance and website solutions for credit unions for more than 20 years. Our experts focus exclusively on the credit union industry and has specialized in all areas of compliance for hundreds of credit unions.

Find out how to make your website more accessible by calling 800.262.6285 or by emailing [Info@CUSolutionsGroup.com](mailto:Info@CUSolutionsGroup.com)

\*Provided by AudioEye, Inc.

# Navigating Risks in the Lending Landscape

Jim Bullard—CUNA Mutual Group

While speaking at a recent credit union league conference, I was asked by an attendee, “Are we going to learn how to be risk-free?” I responded, “If our goal is a completely risk-free credit union, then we can turn off the lights and go home.”

Risk is inherent in lending. Because there is risk in lending to members, we earn a premium when a loan is repaid in the form of interest and fees. Therefore, our goal should not be to avoid risk, but to successfully manage it within tolerances established by our Board of Directors.

Historically, lenders have used the five “Cs” of credit to assess risk and approve loans: character, capacity, capital, collateral and condition. However, the complexity of the lending landscape now goes beyond traditional credit risk and requires credit unions to consider the following risk factors:

**Application Fraud** – Unfortunately, before we examine the credit worthiness of a loan application, we must now consider the legitimacy of the applicant. Is the application from a fraudster that has compromised someone else’s identity? Is the applicant a real person, or a creation of a synthetic identity using components of several legitimate characteristics?

**Demand for a more virtual delivery channel** - The need to attract younger members requires credit unions to meet the prospective member where they are, which is most often at the other end of a mobile device, and not in your branch lobby.

**Increased competition from FinTech lenders** – Cutting edge FinTech companies and technological innovation are changing the competitive landscape and forcing traditional lenders to rethink how they deliver products and services.

Considering all the challenges and the complexity of the lending landscape, there has never been a better time for credit unions to begin the strategic discussion to help them thrive in the current environment. Consider the following competitive advantages when developing long-term goals for your lending program:

Technology can work **for** you, not only against you. Increasingly, credit unions are partnering with companies that provide the technical expertise to accomplish transaction security, allowing lenders to focus on what they do best - take care of members.

The credit union movement’s cooperative philosophy where each member has a vote aligns perfectly with the millennial generation’s desire to partner with ethical companies where they feel they have a voice and can impact the future of their financial institution. The credit union message will resonate with millennials once we consistently figure out how to reach them.

*“Considering all the challenges and the complexity of the lending landscape, there has never been a better time for credit unions to begin the strategic discussion to help them thrive in the current environment.”*

After growing too quickly and experiencing credit losses, FinTech lenders recently raised their approval criteria to require higher credit scores. This gives credit unions an opportunity to regain market share and grow their member base. Credit unions are much more qualified to assess the total credit risk in the relationship than a transactional, online lender.

Navigating the lending landscape is challenging. This list only scratches the surface of how complex the lending landscape has become in recent years. Regulatory compliance, expansion into commercial lending, and vendor due diligence are also important considerations for a successful lending program. Start by identifying who you are as an organization and capitalize on your strategic advantages. But, don’t forget about those five “Cs” of credit.

*Jim Bullard is a risk management senior consultant for CUNA Mutual Group, the leading provider of insurance and financial services to credit unions and their members. Contact him at [James.Bullard@cunamutual.com](mailto:James.Bullard@cunamutual.com).*

# NCUA Modernizing Exam Process

NCUA's latest letter to credit unions ([18-CU-01](#)) provides an update on five Examination Modernization Initiatives designed to improve and modernize how the agency conducts examination and supervision.

The goals of these initiatives are to replace outdated, examination systems, streamline processes, adopt enhanced examination techniques, and leverage new technology and data with less onsite presence. They are as follows:

## **FLEX:**

FLEX is evaluating conducting offsite certain existing exam procedures. In 2017, the NCUA tested the pilot with five examiner groups in 28 credit unions located in a variety of geographical locations.

Preliminary results from the pilot show costs savings to the NCUA, realized in part by reducing travel time and costs for examiners. In designated reviews, over 35% However, the pilot identified the need for the NCUA to have a secure file transfer portal to support much of this work being done offsite efficiently. The secure file transfer portal was fully deployed in July, 2018, and is currently being tested.

## **ONES Data- Driven Supervision:**

The continuous supervision model will use data-driven analytics to monitor and identify credit union risk and support the transition to credit union-driven stress testing. This work may lead to analytical advancements that can be adapted for use in the supervision of some or all other insured credit unions.

## **Shared NCUA-State Regulator FISCU Program:**

The Joint NCUA-State Supervisor Working Group is developing a pilot program to explore and evaluate the effectiveness of the alternating examination concept. A pilot will allow the NCUA, state regulators and stakeholders to evaluate benefits and challenges prior to finalizing a decision on

an alternating exam program.

Such a pilot will need to run about three years in order to evaluate one full alternating exam cycle.

## **ESM:**

This effort will replace legacy applications such as the examination system (AIRES) and the Call Report data collection tool (CU Online).

ESM is providing the essential upgrades to the NCUA's technology foundation to support the FLEX and Virtual Exam programs with:

- More efficient ways to securely communicate with credit unions.
- Updated tools such as workflow management, data integration, document management, and customer relationship management capabilities.

A flexible framework that will allow for integration of new solutions so the NCUA's supervisory systems can evolve with changes to regulations, data and analytical needs, and activities credit unions engage in.

The first of a series of technology upgrades from ESM are scheduled to begin in 2019.

## **Virtual Examination Program:**

The virtual exam should lead to greater use of standardized interaction protocols, advanced analytical capabilities and subject matter experts. This should result in more consistent and accurate supervisory determinations, provide greater clarity and consistency with respect to how the agency conducts supervisory oversight, and reduce coordination challenges between agency and institution staff.

The agency's goal is to transform within the next five to ten years the examination and supervision program into a predominantly virtual one for credit unions that are compatible with this approach.

# Governor Proclaims

continued from page 1

Each year, the international event affords the opportunity to remember credit unions' proud history and promote awareness of and support for the credit union difference. This year, credit unions are celebrating International Credit Union Day's platinum anniversary, a chance to look back after 70 years and be thankful for the lives and communities that have been improved by the unique principles and actions of our movement.

Credit unions are not-for-profit financial cooperatives that provide an effective and viable alternative to for-profit financial institutions for over 217 million members in 105 countries worldwide. Worldwide, 57,000 credit unions exist to serve their members, providing a safe place to save money and access affordable loans.

In West Virginia, 87 credit unions representing 380,000 member-owners operate to provide affordable financial services to people from all walks of life.



## Congratulations Chris and Best Wishes



Long time Huntington C&O FCU Manager **Chris Hutchison** concluded his service with the credit union at the end of August and was honored with an open house luncheon a few days before his retirement. Many well wishers stopped by to share food and fellowship with Chris. League President Ken Watts (right) seen here with Chris, said that Chris is a true professional and gentleman that supported the League and Huntington Chapter throughout the years, and was appreciative of his efforts.

### GAC—continued from page 1

Conference attendees travel to Capitol Hill to advocate for the needs of their members to change the credit union regulatory environment for the better.

“Uniting our voice with credit union leaders who are passionate about credit unions makes CUNA GAC truly special,” said League President Ken Watts “This is a great opportunity for our member credit unions to come together and speak with legislators about our regulatory challenges, of which there are many.”

A limited block of rooms has been reserved at the Renaissance Marriott Hotel for West Virginia League members and will become available through the League in the coming weeks.

Credit union professionals under the age of 35 will again have the opportunity to attend the “GAC Crashers” program on scholarships funded by the League and facilitated by The Cooperative Trust.

To learn more and register for the conference, please visit [cuna.org/gac](http://cuna.org/gac).

## NCUA Pays Record Dividend

After years of shoring up the Temporary Corporate Credit Union Stabilization Fund, credit unions got the news they been wanting to hear for some time from the National Credit Union Administration. In a July 17 announcement, the agency said they will begin paying dividends to more than 5,700 institutions eligible for the \$735.7 million Share Insurance distribution.

The NCUA Board gave unanimous approval to the distribution at its February 2018 open meeting. The distribution was possible after the Board voted unanimously at its September 2017 open meeting to close the Temporary Corporate Credit Union Stabilization Fund and transfer the Stabilization Fund’s assets and obligations to the National Credit Union Share Insurance Fund, as required by law.

The Temporary Corporate Credit Union Stabilization Fund was created in May 2009, to accrue the losses from five failed corporate credit unions and assess insured credit unions for such losses over time. But for the creation of the Stabilization Fund, these losses would have been absorbed by the National Credit Union Share Insurance Fund, exhausting the Share Insurance Fund’s retained earnings and significantly impairing credit unions’ one percent contributed capital deposit.

Statements were mailed to dividend recipients the week of July 23, indicating the amounts they will receive. An institution that filed a quarterly Call Report as a federally insured credit union for at least one reporting period in calendar year 2017 will be eligible for a pro rata distribution. The NCUA Board approved a final rule at its February 2018 meeting that details eligibility criteria.

“As we have noted before, this is the largest Share Insurance distribution in this agency’s history,” Board Member Rick Metsger said, “larger, even, than the cumulative amount of all previous cash distributions since the Share Insurance Fund was capitalized. This is a significant benefit to credit unions and will support a lot of provident and productive purposes.”

Prior to the Board’s actions in September 2017 and February 2018, the Stabilization Fund was scheduled to expire in 2021. Net legal recoveries of more than \$3.8 billion won by the NCUA on behalf of five failed corporate credit unions decreased the costs to the Stabilization Fund and made funds available for this distribution.

## CMG's Chief Economist Predicts Second-Longest Economic Expansion in American History Poised to Continue Through 2019

Credit unions can expect U.S. economic growth to remain above historical averages through the end of 2019, said CUNA Mutual Group's director and chief economist Steven Rick. While the economy's growth will likely retreat from its 3 percent pace in 2018, to 2.3 percent in 2019, the current economic expansion will become the longest in American history if it lasts through the end of 2019, he told attendees at CUNA Mutual Group's ninth annual Discovery Conference in August.

"We continue to enjoy one of the most prosperous stretches of economic expansion in our country's history, and this positive economic climate has greatly benefitted credit unions," said Rick. "Today, there are more job openings than unemployed people in this country, marking the first time that's ever happened. Unemployment sits at about 4 percent now, and should fall as low as 3.4 percent in coming years – far below the expected long-term unemployment rate of 4.7 percent."

Rick continued to explain that long and short-term interest rates will continue to rise as the Federal Open Market Committee seeks to approach a "neutral Fed funds rate" of 3 percent to counter inflationary headwinds brought by higher oil and import prices, as well as the aforementioned outperforming labor market, which will force wages upward. Each of these factors is typically seen as a sign of an overheating economy, which could lead to a mild recession in 2019.

"Whenever savings rates drop to 3 or 4 percent, expect a recession the next year," said Rick. "Given how consumer confidence is at its highest level in 18 years – prior to the dotcom crash – it's no surprise that people are buying instead of saving. We are now down to 3 percent, so a recession by 2020 seems likely, but we should not be worried about it resembling what we experienced a decade ago in 2008."

Rick stated that when a recession eventually does occur, that dampened confidence will spur Americans to save more, and that when more people are saving, credit union deposits will increase greatly. As a result, forecasts call for a 9 percent increase in credit union deposits in 2020.

*"We continue to enjoy one of the most prosperous stretches of economic expansion in our country's history, and this positive economic climate has greatly benefitted credit unions,"*

Steve Rick

On credit union growth, Rick shared, "The growth of credit unions in 2017 was incredible – 4.4 percent with a population that was growing at 0.8 percent. That means credit unions were stealing market share from banks."

Rick suggested indirect auto lending serves one of many driving factors in this member growth, as financial institutions tighten up their auto lending requirements, causing a shift toward credit unions, but Rick expects to see a slight slowdown to 3.5 percent in 2019, and 2.5 percent in 2020.

Rick also discussed how these economic trends, interest rates and consumer spending will affect credit unions over the next few years.

"What's most important to take away is that consumers are brimming with confidence as the economy continues to create more jobs than can be filled, and all nearly all indicators of economic health continue to show very positive signs," Rick added.

Cybercrime is on the rise and the NUMBER ONE concern for credit union regulators.

## IS YOUR CREDIT UNION PREPARED?



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### CHOOSE FROM TWO AWARD-WINNING PROGRAMS

#### 18-CREDIT HOUR CYBERSECURITY CERTIFICATE: \$6,000

This intensive cybersecurity training is designed for IT staff responsible for keeping your credit union's data secure. Optimally, the ideal candidate has day-to-day responsibilities that are related to data or network security. Courses include:

CBIT 100: Ethics and Laws of Cybersecurity  
CBIT 101: Foundations of Cybersecurity  
CBIT 240: Data and Web Security  
CBIT 250: Network Security Fundamentals  
CBIT 475: Penetration Testing and Incident Handling  
CBIT 476: Cyber Defense

#### 4-CREDIT HOUR CYBER DEFENSE COURSE: \$1,250

This course is designed for those responsible for developing policies or managing strategies to keep your credit union's data secure. An IT background is not necessary if the learner has basic knowledge of terms and concepts in computer networking. Program topics include principles in secure design, network defenses, secure protocols, host and perimeter security mechanisms, and other associated topics.

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#### STUDENT TESTIMONIAL

"The course material that I have completed so far provides a great foundation in terminology, theories and tools of data security. I have already learned concepts and tools that can help strengthen our network security. The knowledge and concepts included in the curriculum should give us a huge advantage when completing security and regulatory audits, which are increasingly focused on cybersecurity assessments. Some of the lectures are only a few minutes, so it is quite manageable to work on the courses whenever you have some free time in your schedule."

#### Andrew Burnett

Director of Information Systems, Call Federal Credit Union, Richmond, Virginia, \$400 Million in Assets (2018)

#### ABOUT TRGROUP

A collaboration between seven state credit unions Leagues including Indiana, Kentucky, Louisiana, Mississippi, Tennessee, Virginia and West Virginia formed to bring innovative products and services to credit unions. Visit [TRGroup.org](http://TRGroup.org).

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## NCUA Modernization cont. from page 4

### Shared NCUA-State Regulator FISCU Program:

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The virtual exam should lead to greater use of standardized interaction protocols, advanced analytical capabilities and subject matter experts. This will result in more consistent and accurate supervisory determinations, provide greater clarity and consistency with respect to how the agency conducts supervisory oversight, and reduce coordination challenges between agency and institution staff.

The virtual examination team will deliver to the NCUA board by the end of 2020 a report discussing alternative methods identified to remotely analyze aspects of the financial and operational condition of a credit union.

The agency’s goal is to transform within the next five to ten years the examination and supervision program into a predominately virtual one for credit unions that are compatible with this approach.



## LEAGUE PEAKS

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