



Examination Fairness

Effect

Many credit unions are uncertain about how their next examination will differ from the last. This uncertainty leads to widespread fear among credit unions of retaliation, should they make attempts to challenge inconsistencies in the process.

In a recent CUNA survey, 24% of credit unions felt the need to appeal their most recent supervisory decision; however, only 3% of credit unions followed through with an appeal, the remainder citing a fear of retaliation.

Credit unions have the right to manage risk without being directed by examiners to eliminate it. In that regard, regulators should address the supervision and examination of credit unions in a professional manner, taking into full account legal requirements credit unions must meet as well as the need for credit unions to have reasonable flexibility to serve their members well.

Status

In the U.S. House, Rep. Shelley Moor Capito (R-WV) introduced H.R. 1553, the Financial Institutions Examination Fairness and Reform Act.

Similar legislation (S. 727) was also introduced in the U.S. Senate by Senator Jerry Moran (R-KS).

From Michigan, Congressman Bill Huizenga (R-Zeeland), a member of the House of Financial Services Committee, signed on as an original co-sponsor of H.R. 1553 this session. Additionally, Reps. Gary Peters and Tim Walberg have signed on as co-sponsors.

The MCUL & Affiliates asks that you encourage your members of the U.S. House and Senators Debbie Stabenow and Carl Levin to co-sponsor H.R. 1553/S. 727.

Background

Concerns regarding bank and credit union examinations increase during difficult economic times.

In a 2011 survey conducted by CUNA, nearly 30% of credit unions reported dissatisfaction with their most recent exam. One of the more common concerns among credit unions is the examiners tend to focus too much on their own view of best practices rather than on legal and regulatory requirements. Earlier this year in testimony before Congress, the National Credit Union Administration (NCUA) admitted that they do not document each examination finding with a specific reference to NCUA rules and regulations, and expressed concern with legislation that would require them to do so.

Credit unions face a crisis of creeping complexity with respect to regulatory burden which is made all the more challenging by current examination practices.