October 21, 2019

GENERAL LETTER CU 1-19
Updates to NCUA Regulations

TO ALL CREDIT UNIONS:

The National Credit Union Administration (NCUA) recently updated several regulations that apply to all federally insured, state-chartered credit unions in Wisconsin. This letter is to inform you of the regulations so you are aware of the changes and can ensure your credit union is in compliance.

**Fidelity Bond and Insurance Coverage Rule** (Effective October 22, 2019)

- Part 713 NCUA Rules and Regulations. Affiliated state statute is 186.19
- New rule will strengthen the board of directors oversight of bond coverage:
  - Board must review coverage and amounts annually
  - Board must review and approve applications to purchase or renew bond coverage
  - Board approval must be documented in a resolution in the board minutes
  - A board member must be delegated to sign the bond agreement and that board member cannot sign consecutive agreements for the same coverage
- Other updates include:
  - Extends the discovery periods in an involuntary liquidation to a year and four months for a voluntary liquidation
  - Allows bond coverage of certain credit union service organizations
  - NCUA must keep a list of approved bond forms for credit unions to use; requires all bond forms to receive NCUA approval every 10 years and existing bond forms sunset after 10 years or otherwise determined by the NCUA
- See Wisconsin Credit Union League compliance courier from September 12, 2019

**Appraisals Rule** (Effective October 22, 2019)

- Part 722 NCUA Rules and Regulations and Wisconsin Administrative Code DFI-CU 54.05 (4)
- Amends NCUA requirements for real estate appraisals in certain transactions
• Threshold is increased from $250,000 to $1 million for non-residential real estate transactions (credit unions can use judgment to determine whether to use an appraisal or a written estimate of market value)
• Appraisals not required for certain federally related, rural real estate transactions valued below $400,000 if no state certified or state-licensed appraiser is available
• NCUA is restructuring the appraisal rule to enhance clarity to determine when a written estimate or an appraisal is required and also amends the definitions section of the rule
• Previous interagency guidance remains effective. See NCUA Letter to Credit Unions No. 10-CU-23 and “Interagency Appraisal and Evaluation Guidelines”

**Supervisory Committee Audits and Verifications Rule (Effective January 6, 2020)**

• Part 715 NCUA Rules and Regulations and Wisconsin Administrative Code DFI-CU 73 (will need to be updated to be in line with the recent NCUA changes)
• The final rule eliminates two of the audit types that federal insured credit unions rarely use: the Report on Examination of Internal Controls over Call Reporting option and the Balance Sheet Audit option
• The final rule also removes the NCUA’s Supervisory Committee Guide as an alternative to a financial statement audit in section 715.7(c) and replaces this option with a new Appendix to Part 715 covering minimum supervisory committee audit requirements
• NCUA plans to publish reference materials on audit procedures to provide up-to-date resources and greater flexibility for federally insured credit unions in conducting audits under the new Appendix. Watch for this additional information
• The final rule also changes the prescriptive 120-day deadline for computing and delivering an audit report by an outside compensated auditor to a target delivery date that allows the credit union to timely meet its annual audit requirements.

In addition, the NCUA updated Regulation Part 708b, *Mergers of Insured Credit Unions into Other Credit Unions* that was effective on October 1, 2018. Note that the NCUA merger rule now applies to all federally insured credit unions. Affiliated state statute is 186.31 and the statute will need to be updated. If you are a credit union contemplating a merger and would like additional information on the changes and new requirements, please contact the Office of Credit Unions.

Should you have any questions about these or any other regulation changes, please contact the Office of Credit Unions at 608-261-9543.

Sincerely,

Kim Santos
Director
OFFICE OF CREDIT UNIONS