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I. PURPOSE

Communication between OCU personnel and credit unions shall attempt to establish a positive rapport whenever possible and practical with credit unions and facilitate open communication between OCU and industry personnel. OCU personnel shall conduct examinations and meetings in a professional and objective manner.


II. EXAMINATION COMMUNICATION

1. **Commencement of Examination:** At the beginning of an examination, the EIC shall meet with the credit union CEO to establish an open two-way communication channel. If the EIC is unable to meet with the CEO, they shall immediately notify their RS. As appropriate, this meeting should include discussions related to:
 - a. The purpose/goal of the examination.
 - b. The basic plans for examination staffing, space needed and an initial estimate of the duration of the exam.
 - c. Identification of credit union contact persons for requesting information.
 - d. Specific areas that may be targeted based on emerging issues, etc.
 - e. Management's schedule and plans for facilitating the exam.
 - f. Management's questions regarding the exam process and concerns related to such.
 - g. Management's overall plan for the credit union, including possible field of membership expansions, mergers, significant changes in the field of membership or other issues that may affect the future of the credit union.

2. **During Examination:** During the course of an examination, findings shall be conveyed to management (or management's designee) for response and/or comment.
 - a. Consideration shall be given to the nature of the findings. Dependent on the materiality of the finding, and those responsible for its occurrence, the finding may be conveyed to a Board or Supervisory Committee member(s).
 - b. Management shall be given the opportunity, whenever possible, to respond to findings with additional information, explanation, or comment. Such response shall be considered in the Examination Report composition, and included when appropriate.

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- c. Disagreements between examiners and management on findings shall be considered in the Examination Report preparation, and noted in the report (Overview and/or Confidential) as appropriate.
 - d. At least 24 hours prior to the scheduled exit conference, a copy of the proposed CAMELS ratings must be presented to Management. This will enable them time to review the ratings prior to meeting with the EIC.
- 3. Exit Conference:** An exit meeting shall be conducted with management to convey, in summary, the results of the examination, including the plan of further supervision. At a minimum, an outline of the material findings shall be provided to management. This shall include a summary of the credit union's overall risk profile, an outline of significant risks, recommended CAMELS ratings, and the examiner's general conclusions relating to the credit union's safety and soundness.
- a. Invitation to attend the exit conference shall be extended to officials (directly, or through management). The exit conference may be attended by any combination of senior management and/or officials, willing and able to participate.
 - b. In the event of very material and/or controversial findings, particularly relating to management's performance, the attendance of one or more Board or Supervisory Committee members at the exit meeting is strongly recommended. If deemed prudent, the EIC (with RS approval) may contact the Board chairperson and/or SC chairperson directly to request/encourage attendance.
 - c. In the event of downgrade to Watch List status, the attendance of one or more Board or Supervisory Committee members at the exit meeting is strongly recommended, whenever possible. If deemed prudent, the EIC (with RS approval) may contact the Board chairperson and/or SC chairperson directly to request/encourage attendance.
 - d. Upon agreement between the EIC and Regional Supervisor, a draft copy of key report pages (clearly marked as draft copies) may be left with management during the exit. In such cases, management shall be clearly informed that the copy is in draft form only, including ratings, is subject to further review and amendment before final transmission.
 - e. Should scheduling to meet with management prove unusually difficult, or threaten to unduly delay the conclusion of the examination fieldwork, the exit conference may be waived. Such cases should be very infrequent, and require the approval of the Regional Supervisor. Every effort must be made to schedule an exit meeting. It is acceptable to conduct this

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meeting through teleconference or conference call following the completion of the examination.

III. BOARD MEETINGS

1. For non-Watch List credit unions, examiners shall make themselves available to attend board meetings at the request of credit union management and/or officials to discuss credit union issues and/or the examination report.
2. For Watch List credit unions, the EIC (or alternative) shall attend a board meeting to discuss the credit union's issues and/or the examination report.
 - a. The Regional Supervisor shall notify the NCUA of such board meetings, for NCUA staff to also have the opportunity to attend.
 - b. The Regional Supervisor shall coordinate with the credit union and the NCUA, the date and time of the board meeting OCU (and NCUA) representatives shall attend. The meeting shall not ordinarily be more than 60 days after examination transmission.
 - c. If a quorum of the board was present at the exit conference, all material issues discussed in detail at that time, and no disagreements occurred, this requirement of attending a board meeting shall be deemed met. However, if the board desires OCU attendance at an additional meeting after receiving the report, OCU staff shall accommodate this request.
3. Examination discussion during board meetings shall be led by the EIC. Dependent upon the nature and materiality of findings and knowledge of management and officials, discussion shall generally be a summary of issues with focus on the most material risks. The EIC leading the board meeting shall:
 - a. Encourage two-way communication with the board (ask open-ended questions).
 - b. Ask questions to ascertain the board's understanding and/or comprehension.
 - c. If possible, acknowledge achievements as well as listing weaknesses.
 - d. An agenda prepared by the EIC is recommended, to facilitate an orderly and complete meeting. The EIC also may determine if it is appropriate to distribute said agenda to officials and/or other meeting attendees.
4. The objectives of board meetings are:
 - a. To obtain input from the board, to ascertain their understanding and determine what actions have been taken or are planned.

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- b. To inform the officials about the examination's scope and the credit union's condition/risk profile, including detail regarding the more significant areas.
- c. To reach agreements to correct all problem areas (e.g. adoption of the Document of Resolution by the board).
- d. To set mutually accepted time frames for the required and/or recommended corrective actions and/or for the board to implement alternative methods to correct problem areas.
- e. To convey OFIR's plan of supervision to the board.

IV. OTHER COMMUNICATIONS

1. **Other Contacts:** Other communications shall occur as deemed necessary and appropriate by OCU personnel, and as circumstances warrant. OCU personnel shall strive to maintain documentation of material communications with industry personnel.
2. **New Management:** Upon notification of a change in management or impending change in management, special contact may be made with the new CEO to:
 - a. Introduce key OCU staff which may be coordinating future examination contacts
 - b. Discuss industry issues the CEO would like clarification on, or the risks known to exist in the specific credit union
 - c. Open the line of communication, to facilitate future examination and/or other regulator contact with the CEO
 - d. Consideration shall be given to:
 - i. The known risk profile of the institution, including known effectiveness of the CEO's support staff, recent CAMELS ratings, and the significance of known risks present in the institution.
 - ii. The level of previous contact with the new CEO, including their performance known at other credit unions.
 - iii. Previous discussions related to the planned change in management with the CEO, officials or other key staff members.
 - e. This contact is generally made by the RS or EIC. Contact by EICs with a new CEO should be documented in a brief email to their Regional Supervisor, and record of such should be maintained in the workpapers for the next examination.