

## 2022 NCUA Supervisory Priorities: Loan Loss Reserving, IRR & More

In January, the National Credit Union Administration (NCUA) outlined their 2022 supervisory priorities, which focus on “areas that pose the highest risk to credit unions, credit union members and the National Credit Union Share Insurance Fund.”

Specifically, the letter outlined the following priorities:

- **Credit Risk Management** – The NCUA encourages credit unions to continue working with their members who were, and continue to be, affected by the COVID-19 pandemic. The NCUA will focus their review on adjustments credit unions made to their lending programs to address borrowers facing financial hardship. This includes controls, reporting and tracking of these programs.
- **Information Security** (Cybersecurity) – This remains a significant risk with ransomware, third-party/supply chain risks and business email compromise of particular concern. The NCUA continues to develop updated information security examination procedures that are tailored to institutions of varying size and complexity. Furthermore, in October 2021, they released the Automated Cybersecurity Evaluation Toolbox (ACET) application, which allows credit unions of all sizes to determine and measure their cybersecurity preparedness.
- **Payment Systems** – The NCUA will increase their focus in this area due to the growing complexity risk payment products, services and operations have for credit unions and consumers.
- **Bank Secrecy Act Compliance and Anti-Money Laundering/Countering the Financing of Terrorism** – With amendments to the BSA for the first time since 2001, credit unions will be required to update their risk-based

BSA and AML/CFT policies, procedures and processes throughout 2022. The NCUA will communicate changes in BSA and AML/CFT requirements, and any impacts on examination to credit unions.

- **Capital Adequacy and Risk-Based Capital Rule Implementation** – NCUA examiners will ensure that credit unions are evaluating the impact of their COVID-19 response and relief efforts on their capital position and financial stability. Additionally, examiners will review the accuracy of complex credit unions’ reporting for the new data elements required in the risk-based schedule of the Call Report.
- **Loan Loss Reserving** – Examiners will focus on the adequacy of credit unions’ Allowance for Loan and Lease Losses (ALLL) accounts, specifically policies and procedures, documentation of reserving methodology, adherence to generally accepted accounting principles and independent reviews of reserving methodology and documentation practices by the Supervisory Committee or by an internal or external auditor.
- **Consumer Financial Protection** – Examiners will confirm credit unions are compliant with applicable consumer financial protection laws and regulations, which in 2022 will include the COVID-19 pandemic, fair lending, Servicemembers Civil Relief Act, Fair Credit Reporting Act and overdraft programs.
- **Loan Participations** – Examiners will verify that credit unions have evaluated the risk in loan participa-



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tion transactions and how that risk fits within the tolerance level established by the credit union’s board. Examiners will also look at transaction level compliance.

- **Fraud** – The NCUA will review credit union efforts to deter and detect fraud, including internal controls and separation of duties. Examination procedures will include transaction testing.
- **London Inter-Bank Offered Rate (LIBOR) Transition** – Examiners will focus on how credit unions with significant LIBOR exposure or inadequate fallback language are managing the transition. Credit unions can continue using NCUA’s LIBOR Assessment Workbook for assistance and refer to the July 2020 and October 2021 releases for additional guidance.
- **Interest Rate Risk** – The NCUA will evaluate how credit unions have modeled and managed interest rate risk, given the high share growth the last two years and the invested surplus funds in longer duration assets.

If any of these areas pose a potential issue for your credit union, Catalyst Strategic Solutions is here to assist you. For more information, call 800.301.6196, or contact your **Area Sales Manager** today.



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SCAN is published quarterly for the member/owners of Catalyst Corporate Federal Credit Union by the Catalyst communications and marketing department. Expanded content and archived issues may be found online at [www.catalystcorp.org](http://www.catalystcorp.org). For questions or comments on this issue or to submit content ideas for future issues of SCAN, please contact Courtney Wilson at [news@catalystcorp.org](mailto:news@catalystcorp.org) or 800.442.5763, Ext. 7847.

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## Introducing 'Fraud Verify,' Catalyst's New Wire Fraud Detection Service



The dollar value, irrevocable nature and immediate settlement of wire transfers make them inherently risky. With criminal schemes such as Business Email Compromise a growing problem, credit unions need enhanced monitoring to prevent serious loss. Catalyst Corporate, in partnership with anti-financial crime management pioneer Verafin, recently introduced its real-time fraud detection solution for domestic and international wire transfers - Fraud Verify.

With Fraud Verify, innovative analytics alert credit unions to review potentially fraudulent wire transfers before they are released. Each time a wire is submitted in TranZact, Catalyst Corporate's account management portal, a real-time fraud scan is initiated. Fraud Verify reports results of the wire scan in TranZact under wire pending approvals as "No Fraud" or "Needs Review."

A wire marked "Needs Review" can then be evaluated by a credit union employee to determine whether the suspicious aspects that were flagged merit stopping the wire or whether the wire can continue processing. Wire decisions are logged with the wires in the Verafin software, and wire details are searchable in TranZact.

"Fort Worth Community Credit Union found implementation of this new fraud monitoring feature to be

very quick and easy," said Valerie Grosskurth, Fort Worth Community Vice President, Payment Systems & Risk Management. "Catalyst and Verafin provided training on how the monitoring is integrated and how it works on each side."

Catalyst Corporate has partnered with Verafin, a Nasdaq-owned company, for many years to facilitate efficient Bank Secrecy Act reviews. "This new integrated process adds another layer of efficiency, enabling credit unions to conduct real-time fraud reviews and stop fraud losses

prior to sending a wire," said Justin Lutes, Catalyst Corporate's Vice President, Correspondent Services.

Implementation requirements are minimal for credit unions that already have an established Verafin business relationship, Lutes said.

To find out more about Catalyst Corporate's Fraud Verify wire fraud detection service, call 800.632.5180, or contact your **Area Sales Manager** today.



## 'Alexa: Add to Calendar' 2022 Can't-Miss Dates

Whether virtual or in-person, another year of exciting Catalyst Corporate events await! We invite you to add these important dates to your calendar:

### Annual Meeting

The 2022 Annual Meeting of the Members of Catalyst Corporate Federal Credit Union will be held virtually on Tuesday, May 3 at 10 a.m. Central Time. For details, or to register please visit: [www.catalystcorp.org/annual-meeting](http://www.catalystcorp.org/annual-meeting).

### Economic & Payments Forum

Catalyst Corporate's 2022 Economic & Payments Forum is slated for September 19-21 at the Renaissance Legacy West Hotel in Plano, Texas. This year's Forum, appropriately themed, "Future Vision: Unfolding Our New Environment," will offer a mix of presentations from industry-leading payments experts and trusted economists. For the latest updates on Forum 2022, visit: [www.catalystcorp.org/forum](http://www.catalystcorp.org/forum).