

SUBJECT: Required & Recommended Credit Union Policies

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INTRODUCTION

This release applies to all credit unions, state and federal. It lists policies that credit unions may be required to maintain, as well as policies that regulators or The League recommend.

EXECUTIVE SUMMARY

The information below is to be used as a guide and is not an exhaustive list of federal or state laws or regulations that trigger policy requirements. Even where a policy is not explicitly required, credit unions may benefit from board-approved policies on various issues.

The *NCUA recommends* that in addition to policies that are explicitly required or recommended, “written procedures must be developed for all major areas of operations, including, but not limited to, record retention, maintaining and balancing general ledger accounts; capitalization or expenditure of purchases, and fixed asset calculation and limit.”

In addition, the NCUA recommends that “policies should be established for any complex or higher-risk services For example, a share draft program should have a policy to address the terms of the program, including who will qualify for an account, when an account will be closed, overdraft procedures, fees, clearing procedures, third party relationships, and compliance with the Expedited Funds Availability Act and the Check Clearing for the 21st Century Act (codified in Regulation CC), the Truth-in-Savings Act, and the Reserve Requirements of Depository Institutions (Regulation D). A credit union must also have a policy to address overdraft protection procedures, if applicable, as required in NCUA Regulations.”

The NCUA has *also stated* that “The board must ... ensure that appropriate policies are in place to guide senior management in the execution of their duties.”

This release does not include employment-related policies. For guidance on employment practices, policies, and procedures, please consult the credit union’s employment attorney. Note, however, that The League does offer a Model Credit Union Employee Handbook (WCUL #83010) for Wisconsin credit unions with fewer than 50 employees. The Husch Blackwell law firm reviews it to help keep the material current. The handbook is available for purchase via *The League’s online “credit union forms” page*. A *sample of the handbook* is available to give you an idea of its contents. The handbook is designed so that credit unions can complete and customize key provisions on their own. In many sections, you’ll see optional language to choose from, blanks that must be completed, and/or information that you are asked to add. The handbook is provided in Microsoft Word so that credit unions can easily edit the text as needed. *Section-by-section instructions* are provided with the handbook.

The Compliance Specialists can help credit unions develop and maintain their policies. For information on Compliance Specialists services, visit *the Compliance Specialist Program page* on our website or contact [Laura Nelson](#), the program’s director, at lnelson@theleague.coop or (608) 640-4061.

FEDERAL ISSUES

- **Allowance for loan & lease losses (ALLL).** Credit unions under \$10 million in assets may rely on an ALLL policy if they have chosen not to adopt the current expected credit losses (CECL) methodology. (Credit unions with \$10 million or more in assets should have a CECL policy, which is covered later in this section of the release.) The boards of credit unions using ALLL are responsible for ensuring that their credit unions have controls in place to consistently determine the ALLL in accordance with the credit union’s stated policies and procedures, generally accepted accounting principles, and ALLL supervisory guidance. See NCUA Letter to Credit Unions 02-CU-09. Also see the NCUA’s Letter to Credit Unions 06-01, the 2006 *Interagency Policy Statement on the Allowance for Loan and Lease Losses* and the 2006 interagency *FAQs*. Also see The League’s Compliance Topics A – Z page on “Allowance for Loan & Lease Losses (ALLLs).”

- **Asset/liability management.** The *NCUA recommends* that credit union maintain an asset liability management policy “that addresses interest rate risk limits, monitoring, reporting, and controls. ALM is a process of evaluating balance sheet risk (interest rate and liquidity risks) and making prudent decisions, which enables a credit union to remain financially viable as economic conditions change. An ALM policy is necessary to control interest rate risk and liquidity risk associated with longer term investments, real estate loans, and business lending activities. See The League’s Compliance Topics A to Z page on “Asset / Liability Management.”
- **Bank Bribery Act, conflicts of interest, and ethics.** Federally insured credit unions must adopt a code of conduct and/or a written policy that describes the prohibitions under the Bank Bribery Act. In addition, The League recommends a policy on conflicts of interest and ethics. See *ii Release No. 0122*. Also see The League’s Compliance Topics A to Z page on “Conflicts of Interest.”
- **Bank Secrecy Act (BSA), CIP & CDD.** Credit unions must develop effective policies, procedures, and processes to comply with the Bank Secrecy Act. See *ii Release No. 0071*. A credit union’s Customer Identification Program (CIP) must include a written policy and procedures addressing member identification, verification, recordkeeping, comparison with government lists, member notice, and reliance on other financial institutions. Federal regulators say: “The cornerstone of a strong BSA/AML compliance program is the adoption and implementation of comprehensive Customer Due Diligence (CDD) policies, procedures, and processes ...” See *ii Release No. 0159*. Also see The League’s Compliance Topics A to Z page on the “Bank Secrecy Act.”
- **Cash.** The *NCUA recommends* that credit unions maintain policies to “identify how cash will be handled and the permissible amount to be held on the credit union’s premises. The amount of cash in teller drawers, vaults, etc. must be based on the bonding limits from an approved bond company. See NCUA Rules & Regs. §713.5 for more information on the minimum bond coverage required. Having a cash operation has Bank Secrecy Act implications, such as filing of Currency Transaction Reports (CTR) and Suspicious Activity Reports (SAR), which should be further addressed in the FCU’s Bank Secrecy Act (BSA) policy.”
- **Catastrophic act preparedness.** The NCUA recommends that all credit unions develop a program to prepare for a catastrophic act. The program should be developed with oversight and approval of the board of directors, and it should be based on the credit union’s assessment of risks. The program should address five listed elements, including: “Internal controls for reviewing the plan at least annually and for revising the plan as circumstances warrant, for example, to address changes in the credit union’s operations” and “annual testing.” NCUA Rules & Regs. *Part 749, Appendix B*. See *ii Release No. 0155*. Also see “Disaster recovery,” later in this section of the release.
- **Children’s Online Privacy Protection Act (COPPA).** Businesses, including credit unions, must comply with COPPA if they operate websites or online services directed to children under 13 years of age, and if they have actual knowledge that they are collecting personal information online from a child under 13 years of age. Covered credit unions must post a clear and comprehensive online privacy policy describing their information practices for personal information collected online from children. See *ii Release No. 0156*. Also see The League’s Compliance Topics A to Z page on the “Children’s Online Privacy Protection Act (COPPA).”
- **Concentration Risk.** “The board of directors [for all federally insured credit unions] must establish a policy which addresses its philosophy on concentration risk, limits commensurate with net worth levels, and the rationale as to how the limits fit into the overall strategic plan of the credit union.” NCUA *Supervisory Letter on “Concentration Risk”* (2010). Also see *ii Release No. 0180*.
- **Current expected credit losses (CECL).** Credit unions with \$10 million or more in assets should adopt a CECL policy. (Credit unions under \$10 million in assets may chose not to adopt CECL and instead rely on an allowance for loan & lease losses policy, which is covered earlier in this section of the release.) The NCUA instructs its examiners to review a credit union’s CECL policy for compliance with generally accepted accounting principles and to verify that it addresses several other issues adequately. NCUA Examiner’s Guide section on *“Allowance for Credit Losses, Exam Procedures.”*

In addition, federal regulators have said: “For financial and regulatory reporting purposes, ACLs [Allowance for Credit Losses (ACL)] and PCLs [Provisions for Credit Losses] must be determined in accordance with GAAP [Generally Accepted Accounting Principles]. ACLs and PCLs should be well-documented, with clear explanations of the supporting analyses and rationale. Sound policies, procedures, and control systems should be appropriately tailored to an institution’s size and complexity, organizational structure, business environment and strategy, risk appetite, financial asset characteristics, loan administration procedures, investment strategy, and management information systems. Maintaining, analyzing, supporting, and documenting appropriate ACLs and PCLs in

accordance with GAAP is consistent with safe and sound banking practices.” They also noted that “Management often documents policies, procedures, and controls related to ACLs in accounting or credit risk management policies, or a combination thereof.” And, they said that a credit union’s board of directors is responsible for “reviewing and approving the institution’s written loss estimation policies, including any revisions thereto, at least annually.” *Interagency Policy Statement on Allowances for Credit Losses* (April 2023).

- **Denial of services.** The League recommends that before attempting to deny any services to any member for any reason, the credit union’s board of directors should adopt a “denial of services” policy. Over the years, the NCUA has repeatedly given the legal opinion that the policy must be in writing, approved by the board of directors, and provided to all members so that they are aware of it. The board should also monitor the policy and update it as needed. See *ii Release No. 0183*.
- **Derivatives.** A FCU using derivatives (as defined in NCUA Rules & Regs.) must operate according to comprehensive written policies and procedures for control, measurement, and management of derivative transactions. At a minimum, the policies and procedures must address NCUA requirements, and any additional limitations imposed by the FCU’s board. An FCU’s board must review the policies and procedures described in this section at least annually and update them when necessary. NCUA Rules & Regs. §703.106(c).
- **Directors’ financial literacy.** FCUs must have a policy that shows how it will provide the necessary resources and training so that directors can meet the NCUA financial literacy requirements. NCUA Rules & Regs. §701.4(b)(3). Also see NCUA Letter to Federal Credit Unions *11-FCU-02*. The League recommends this policy for state-chartered credit unions, as well. See *ii Release No. 0180*. Also see The League’s Compliance Topics A to Z page on “Directors.”
- **Directors’ fiduciary duties.** The *NCUA recommends* that credit unions “develop a policy addressing the fiduciary responsibilities of the board of directors. The board of directors is responsible for the general direction and control of the credit union, including the ability to:
 - Carry out the duties of a director in good faith and in the best interests of the membership;
 - Administer the affairs of the credit union fairly, impartially, and without discrimination;
 - Direct management’s operations in conformity with the Federal Credit Union Act, the NCUA’s Regulations, other applicable law, and sound business practices; and
 - Develop a working familiarity with basic finance and accounting practices, including the ability to read and understand the credit union’s balance sheet and income statement and to ask, as appropriate, substantive questions of management and the internal and external auditors within six months of appointment or election.”

Also see The League’s Compliance Topics A to Z page on “Directors.”

- **Disaster recovery and business continuity or resumption.** The *NCUA recommends* that credit unions should “establish a disaster recovery policy covering potential disasters and describes what staff must do and who they must notify in the event of a disaster. The policy should also indicate where back-up records will be stored or maintained. ... Ensure the policy includes business continuity and resumption procedures during failures affecting telecommunications networks, telephone lines, power grids, and water and sanitation systems.” See *ii Release No. 0155* and The League’s Compliance Topics A to Z page on “Disaster Recovery.”
- **Dividends.** The NCUA recommends that credit unions “develop a nondiscriminatory dividend policy, by establishing dividend periods, dividend credit determination dates dividend distribution dates, any associated penalties (if applicable), and the method of dividend computation for each type of share account.” NCUA Rules & Regs. Part 707, Appendix C, Staff Commentary to §707.2(i).
- **E-commerce.** The *NCUA recommends* that credit unions “establish an e-commerce policy when the business plan calls for delivering financial services electronically, including the internet and audio response. This policy should address procedures that monitor and control activities relating to the electronic delivery of financial services. Ensure this policy adequately addresses the federal consumer protection laws and regulations pertaining to electronic delivery of financial services, specifically the Electronic Fund Transfers Act (CFPB Reg. E) and Electronic Signatures in Global and National Commerce Act.” See *ii Release No. 0175* and The League’s Compliance Topics A to Z page on “eCommerce.”

- **Electronic payment systems.** A credit union's board of directors should establish and approve a policy that addresses each type of electronic payment system (EPS) the credit union uses (such as wire transfer, Automated Clearing House (ACH), item processing and remote deposit capture, ATM, and card programs). An EPS policy should provide a framework for achieving objectives outlined in the board-approved strategic plan and should sufficiently address associated risk. NCUA Examiner's Guide section on "*EPS Policies.*" The NCUA Examiner's Guide also addresses some of these EPS requirements individually:
 - **ACH.** The NCUA recommends that a credit union maintain an ACH policy, saying: "The ACH policy or risk management program should contain a list of board-approved SEC [Standard Entry Class] codes." NCUA Examiner's Guide section on "*Automated Clearing House.*"
 - **ATMs.** For credit unions with automated teller machines (ATMs), the NCUA recommends there "should be board approved documented policies and procedures addressing dual control for ATM access as well as maintenance, security procedures, patch management, network security, and fraud monitoring and protection." NCUA Examiner's Guide section on "*Automated Teller Machines.*"
 - **Mobile payments.** For credit unions offering mobile payment services (products and services that a financial institution provides to its customers through mobile devices), the NCUA says: "Management should identify and mitigate risks associated with the mobile service. As is the case with any product offering, management should have developed and implemented policies and procedures to comply with applicable laws and regulations. It should require appropriate internal controls for security and confidentiality of the mobile transactions. It also should have developed an internal audit program relative to the mobile service offered." NCUA Examiner's Guide section on "*Mobile Payments.*"
 - **Remote deposit capture (RDC).** The NCUA recommends that credit unions offering RDC to members maintain policies, procedures, and other staff guidance related to RDC service. The NCUA tells its examiners to determine if those policies address all facets of RDC operations, internal controls, and processes including, at a minimum: member qualifications and monitoring; requirements for member agreements; training of staff and members; providing educational materials to members; ongoing monitoring of RDC program by management; and ongoing monitoring of RDC members. NCUA Examiner's Guide section on "*RDC Review Procedures.*"
 - **Wire transfers.** According to the NCUA, "Credit unions rely on sound policies, procedures, and controls to manage risk associated with wire transfers. The size and complexity of the credit union will determine the extent of controls needed." To review the existence and effectiveness of controls for wire transfers, the NCUA tells its examiners to "review written wire policy and procedures." NCUA Examiner's Guide section on "*Wire Transfers.*"
- **Expedited Funds Availability (Reg. CC).** A financial institution must provide its customers with a disclosure that describes its funds availability policies (though Reg. CC does not specifically require that the board adopt a written policy). See *ii Release 0100*. Also see The League's Compliance Topics A to Z page on "Reg. CC - Availability of Funds and Collection of Checks."
- **Fair Credit Reporting Act (FCRA) / FACT Act.** All credit unions that use consumer reports and furnish information to consumer reporting agencies should have policies and procedures to comply with the various Fair Credit Reporting Act requirements, including identity theft red flags, credit report address discrepancies, and record disposal. See *ii Release No. 0126*. Also see The League's Compliance Topics A to Z page on the "Fair Credit Reporting Act." Also see The League's Compliance Topics A to Z page on the "Fair Credit Reporting Act."
- **Fair Debt Collections Practices Act.** Credit unions that collect their own delinquent loans may want to consider following the requirements of the Fair Debt Collections Practices Act, even though the law only applies to those collecting debts for third parties. See *ii Release No. 0121*. Also see The League's Compliance Topics A to Z page on "Collections."
- **Fair Housing Act (FHA).** Federally insured credit unions that offer mortgage loans must have an anti-discrimination policy relating to residential real estate transactions. See NCUA Rules & Regs §701.31. Also see The League's Compliance Topics A to Z page on the "Fair Housing Act."
- **Fair lending.** *The NCUA recommends* that credit unions adopt fair lending policies and procedures, which "should clearly state how the credit union will comply with fair lending laws and enable the credit union to serve the entire field of membership. ... specifically, policies should describe the type of loans, dollar limitations, terms and interest rates, maturity, collateral and insurance requirements, and other issues within each lending program. State the factors

and parameters (such as credit standards) for processing a loan within each lending program.” The policies should address appropriate consumer lending regulations, including the Truth in Lending Act (CFPB Reg. Z), the Equal Credit Opportunity Act (CFPB Reg. B), and the Fair Credit Reporting Act (CFPB Reg. V). More advanced lending products, such as mortgage loans, will require compliance with the Real Estate Settlement Procedures Act (RESPA – CFPB Reg. X), and the Home Mortgage Disclosure Act (HMDA – CFPB Reg. C), among other requirements. See The League’s Compliance Topics A to Z page on each of these requirements.

- **Foreclosure and repossession.** The NCUA recommends that credit unions maintain appropriate policies and procedures for all aspects of the foreclosure process, tailored to comply with the laws of each state where the credit union does business, as well as policies related to holding foreclosed properties as “foreclosed and repossessed assets.” See NCUA Letters to Credit Unions *11-CU-01* and *08-CU-25*. Also see The League’s Compliance Topics A to Z pages on “Foreclosure” and “Collections.”
- **Home Mortgage Disclosure Act (HMDA).** The League recommends that credit unions subject to the Home Mortgage Disclosure Act should adopt policies for collecting, maintaining, and reporting data of covered loans and applications. See *ii Release No. B017*. Also see The League’s Compliance Topics A to Z page on “Reg. C - Home Mortgage Disclosure.”
- **Homeowners Protection Act.** The CFPB recommends that mortgage servicers should have appropriate policies, procedures, and processes in place to ensure that they are terminating borrowers’ private mortgage insurance coverage consistent with the Homeowners Protection Act requirements, particularly with respect to the final termination provisions. See *ii Release No. B057*. Also see The League’s Compliance Topics A to Z page on “Homeowners Protection Act (HPA).”
- **Indirect lending.** The NCUA expects federally insured credit unions that are involved in indirect lending to have a comprehensive and ongoing due-diligence program to mitigate the risks association with this type of lending. See NCUA Letter to Credit Unions *10-CU-15*. Also see The League’s Compliance Topics A to Z page on “Indirect Lending.”
- **Interest rate risk (IRR).** The *NCUA requires* an interest rate risk (IRR) policy for all federally insured credit unions with assets of more than \$50 million. The policy should provide for at least an annual evaluation of policy to determine whether it is still commensurate with the size, complexity, and risk profile of the credit union. The policy must include items such as oversight by the board and implementation by management; risk measurement systems assessing IRR sensitivity of earnings and/or asset and liability values; and internal controls to monitor adherence to IRR limits. Credit unions have the option of either creating a separate IRR policy or incorporating it into investment, ALM, funds management, liquidity, or other policies. Regardless of form, credit unions must clearly document their IRR policy in writing. NCUA Rules & Regs. §741.3(b)(5), Appendix A. See *ii Release No. 0181*. Also see The League’s Compliance Topics A to Z page on “Interest Rate Risk (IRR).”
- **Internet gambling (Reg. GG).** U.S. financial institutions (including credit unions) that participate in certain payment systems must have written policies and procedures that are reasonably designed to identify and block or otherwise prevent and prohibit “restricted transactions.” See *ii Release No. 0177*. Also see The League’s Compliance Topics A to Z page on “Internet Gambling.”
- **Investments.** Federally insured credit unions’ board of directors must establish written investment policies. The board must review the policy at least annually. These policies may be part of a broader asset / liability management policy. NCUA Rules & Regs. §703.3. See The League’s Compliance Topics A to Z page on “Asset / Liability Management.” Also see “Asset / Liability Management” earlier in this section of the release.
- **Lending.** Federally insured credit unions are required to have a lending policy that establishes specific requirements outlined in the regulations. NCUA Rules & Regs. §701.21. Lending policies must include: “adequate documentation of secured loans and the protection of security interests by recording, bond, insurance or other adequate means, adequate determination of the financial capacity of borrowers and co-makers for repayment of the loan, adequate determination of value of security on loans to ascertain that said security is adequate to repay the loan in the event of default, loan workout arrangements, and nonaccrual standards that include the discontinuance of interest accrual on loans past due by 90 days or more and requirements for returning such loans, including member business loans, to accrual status.” NCUA Rules & Regs. §741.3(b)(2). See “Lending” under “Wisconsin Law,” later in this release. Also see The League’s Compliance Topics A to Z page on “Lending.”
- **Liquidity & contingency funding.** Federally insured credit unions with less than \$50 million in assets must maintain a basic, board-approved, policy for managing liquidity and a list of contingent liquidity sources that can be employed

under adverse circumstances. Credit unions with assets of \$50 million or more must also have a contingency funding plan that clearly sets out strategies for addressing liquidity shortfalls in emergencies. Credit unions with assets of \$250 million or more must also establish access to at least one contingent federal liquidity source: the Discount Window and/or CLF. The FICUs liquidity policy should include a requirement to periodically review and revise, if necessary, the policies and plans to reflect the credit union's current tolerance for risk, balance sheet composition, liquidity strategy, and organizational structure. NCUA Rules & Regs. §741.12(a). See The League's Compliance Topics A to Z page on "Liquidity Risk."

- **Loan charge-offs.** The NCUA recommends that credit unions develop a policy outlining charge-off practices. See NCUA Letter to Credit Unions [03-CU-01](#).
- **Loan participation.** Federally insured credit unions that engage in loan participation arrangements must have a written loan participation policy. The policy must cover certain issues, such as establishing limits on the amount of loan participations that may be purchased by each loan type as a percentage of net worth. The NCUA expects policies to cite the concentration limits in the regulation (or tighter limits if the credit union chooses). NCUA Rules & Regs. §701.22(b)(5). See *ii Release No. B052*. Also see The League's Compliance Topics A to Z page on "Participation Loans"
- **Loan workouts.** Credit union board and management must adopt and adhere to an explicit written policy and standards that control the use of loan workouts and establish controls to ensure the policy is consistently applied. The policy should be commensurate with the credit union's size and complexity and must be in line with the credit union's broader risk mitigation strategies. It must define eligibility requirements (i.e., under what conditions the credit union will consider a loan workout), including establishing limits on the number of times an individual loan may be modified. The policy must also ensure credit unions make loan workout decisions based on the borrower's renewed willingness and ability to repay the loan. See *ii Release No. B072*. Also see The League's Compliance Topics A to Z page on "Troubled Debt Restructuring (TDR)."
- **Mortgage loan origination (SAFE Act).** A credit union that employs mortgage loan originators must adopt and follow written policies and procedures designed to assure compliance with Reg. G and the SAFE Act. See *ii Release No. B070*. Also see The League's Compliance Topics A to Z page on "Mortgage Loan Originators (S.A.F.E. Act)."
- **Member business lending.** To engage in business lending, a credit union's board of directors must adopt a business loan policy and review it annually. The policy must address various issues, under both Wisconsin Office of Credit Union regulations (for state-chartered credit unions) and NCUA regulations (for FCUs). NCUA Rules & Regs. Part 723. Wis. Admin. Code DFI-CU Ch. 72. Under NCUA regulations, "The board must review its policy on an annual basis, prior to any material change in the federally insured credit union's commercial lending program or related organizational structure, and in response to any material change in portfolio performance or economic conditions, and update it when warranted." See *ii Release No. B027*. Also see "Member Business Lending" under "Wisconsin Law," later in this release. Also see The League's Compliance Topics A to Z page on "Business Loans and Member Business Loans." [Note that the member business loan sample policy attached to ii Release No. B027 is designed for use by state-chartered credit unions, not federal credit unions, since it is designed to address Wisconsin law and not NCUA regulations.](#)
- **Office of Foreign Assets Control (OFAC).** While not required by specific regulation, but as a matter of sound banking practice and to mitigate the risk of non-compliance with OFAC requirements, federal regulators say that banks should establish and maintain an effective, written OFAC compliance program that is commensurate with their OFAC risk profile. See *ii Release No. 0148*. Also see The League's Compliance Topics A to Z page on "Office of Foreign Assets Control (OFAC)."
- **Overdraft protection.** FCUs offering overdraft protection are required by NCUA rules to adopt a written policy. The policy must: set a cap on the total dollar amount of all overdrafts the credit union will honor consistent with the credit union's ability to absorb losses; establish a time limit not to exceed forty-five calendar days for a member either to deposit funds or obtain an approved loan from the credit union to cover each overdraft; limit the dollar amount of overdrafts the credit union will honor per member; and establish the fee and interest rate, if any, the credit union will charge members for honoring overdrafts. NCUA Rules & Regs. §701.21(c)(3). Wisconsin does not have similar regulations governing overdraft protection for state-chartered credit unions, but the Wisconsin Office of Credit Unions indicates that it would be a reasonable practice for state-chartered credit unions to follow the same NCUA regulatory requirements. See *ii Release No. 0169*. Also see The League's Compliance Topics A to Z page on "Overdraft Protection."

- **Privacy.** Credit unions must have a policy for handling consumers' non-public personal information that must include categories of personal information the credit union collects and discloses, affiliates and non-affiliates with whom information is shared, an explanation of the members' rights to opt-out, and other issues. CFPB Reg. P. See *ii Release No. 0152*. Also see The League's Compliance Topics A to Z page on "Privacy."
- **Purchase, sale, and pledge of eligible obligations.** An FCU may purchase, sell, or pledge all or part of a loan (called an "eligible obligation") in whole or in part, within the limitations of the board of directors' written purchase policies. NCUA rules for these purchases and sales only apply if the transaction involves a borrower that is a credit union member and the transaction does not fit the definition of a loan participation, such as when the originating lender does not retain an interest in the loan. An FCU's payment of an incentive or bonus to an employee, other than a senior management employee, in connection with that credit union's purchase, sale or pledge of an eligible obligation, is permissible if the board of directors establishes a written policy and internal controls for the incentive or bonus program and monitors compliance with the policy and controls at least annually. NCUA Rules & Regs. §701.23(g)(2)(iii).
- **Real estate appraisals.** The NCUA says that a credit union's "board of directors or its designated committee is responsible for adopting and reviewing policies and procedures that establish an effective real estate appraisal and evaluation program." NCUA Letter to Credit Unions *10-CU-23*. See *ii Release No. B008*. Also see The League's Compliance Topics A to Z page on "Appraisals."
- **Record retention.** Federally insured credit unions must have a records preservation program to identify, store and reconstruct vital records if the credit union's records are destroyed. NCUA Rules & Regs. Part 749. Also see "Record disposal" and "Record retention" under "Wisconsin Law," later in this release. Also see The League's Compliance Topics A to Z page on "Record Retention."
- **Reimbursement.** The *NCUA recommends* that credit unions develop "written policies and procedures, including documentation requirements, for the payment of reasonable and proper costs incurred by an official in carrying out the official's responsibilities, if the board of directors determines the payment is necessary or appropriate to carry out the official business of the credit union. Such payment includes reimbursement to a credit union official or direct credit union payment to a third party." NCUA Rules & Regs. §701.33(b)(2)(i).
- **RESPA / Reg. X & mortgage loan servicing.** Credit unions must ensure that they have appropriate policies and procedures in place to comply with a number of mortgage loan servicing requirements. See *ii Release No. B075*. Also see The League's Compliance Topics A to Z page on "Reg. X - Real Estate Settlement Procedures Act (RESPA)."
- **Risk-based lending.** Federally insured credit unions engaged in risk-based lending must have Board approved policies and procedures that define the parameters of the risks assumed and internal controls necessary to ensure acceptable portfolio quality. See NCUA Letter to Credit Unions 99-CU-05. Also see The League's Compliance Topics A to Z page on "Risk-Based Lending."
- **Security program.** Federally insured credit unions must have written security programs to address issues such as robberies, burglaries, embezzlement, safeguarding member information, responding to unauthorized access to member information, preventing destruction of vital records, cybersecurity, and information security. NCUA Rules & Regs. Part 748. See *ii Releases No. 0118* and *0155*. Also see The League's Compliance Topics A to Z page on "Security & Fraud."
- **Social media.** Credit unions are not required to have a social media policy, but all credit unions are expected to manage risks associated with all types of consumer and customer communications, no matter the medium. Federal regulators' guidance provides considerations that credit unions may find useful in conducting risk assessments and crafting and evaluating policies and procedures regarding social media. See *Dec. 2013 FFIEC "Social Media: Consumer Compliance Risk Management Guidance."* Also see The League's Compliance Topics A to Z page on "Social Media."
- **Succession planning.** A federally insured credit union's board of directors must establish a written succession plan that fits its size, as well as the complexity and risks of its operations. NCUA Rules & Regs. §701.4(e). See *ii Release No. 0180*. Also see The League's Compliance Topics A to Z page on "Succession Planning."
- **Vendor management & third-party relationships.** The NCUA requires credit unions to take certain steps to manage relationships with third parties (i.e., vendors). The *NCUA recommends* that credit unions "develop a vendor management policy that addresses planning, due diligence, and controls required before engaging in third-party relationships. The level of planning, due diligence, and controls required to safely engage in any relationship depends

upon the credit union's risk profiles and the type of relationship with the vendor. See NCUA Letters to Credit Unions [08-CU-09](#), [07-CU-13](#), and [01-CU-20](#). Also see The League's Compliance Topics A to Z page on "Third-Party Due Diligence."

WISCONSIN ISSUES

- **Collections.** The League recommends that credit unions develop effective lending and collection policies. These policies should reflect state and federal legal requirements, as well as the needs of the credit union. The [NCUA recommends](#) a policy that "outlines collection practices, including information such as who is responsible for collections contacts; what are the timeframes and collection contacts/actions to be taken, such as reminder notices, letters, telephone calls, repossessions, foreclosures, or referrals to a collection agency or attorney. The policy should also identify how often collection efforts will be documented and tracked, and board reporting requirements." See *ii Release No. 0121*. Also see The League's Compliance Topics A to Z page on "Collections."
- **Dormant accounts.** Wisconsin law allows credit unions to set their own dormant account policies and fees. The League recommends that any credit union which wants to charge dormant account fees should adopt a policy. Items to consider addressing in the policy include the amount and frequency of the fee that will be imposed, a definition of what accounts will be considered dormant (based on period of inactivity and perhaps returned mail, or low balance), and what accounts will be exempt from the policy. Wis. Stats. §186.113(16). See *ii Release No. 0008*.
- **Expulsion.** A policy is required if the credit union wishes to expel a member. Wis. Stats. §186.13 and §186.14. See *ii Release No. 0001* and *ii Release No. 0183*. Also see The League's Compliance Topics A to Z page on "Membership."
- **Leasing of personal property.** The League recommends that credit unions should formulate a policy on leasing, stating underwriting standards and tracking the requirements of NCUA Rules & Regs. Part 714 and Wis. Admin. Code DFI-CU 71. The policy should address rates, residual values, insurance, length of leases, amount of assets available for leasing, etc. See *ii Release No. B006*. Also see The League's Compliance Topics A to Z page on "Leasing."
- **Lending.** Wisconsin law requires a credit union's lending policy to address collateral acceptable for secured loans; loan limits; and loan approval if a director, officer, credit committee member or employee provides security as a co-maker, guarantor, endorser, or other form of surety. Wis. Stats. §186.098(6). Also see The League's Compliance Topics A to Z page on "Lending."
- **Member business lending.** If the credit union grants loans that are subject to the Wisconsin member business loan rules, the board of directors must adopt a specific member business loan policy and review it at least annually. See *ii Release No. B027*. [The ii Release includes a member business loan sample policy that Wisconsin state-chartered credit unions can consider using as a template to help them develop a policy that complies with Wisconsin law.](#) Wis. Admin. Code DFI-CU Ch. 72. See *ii Release No. B027*. Also see "Member Business Lending" under "Federal Law," earlier in this release. Also see The League's Compliance Topics A to Z page on "Business Loans and Member Business Loans."
- **Membership.** Under Wisconsin's 2017 model credit union bylaws, the term "members of the immediate family" includes certain relatives and "such other person as are set forth in the written policies of the board." Bylaws Article II, Section 6(c). See *ii Releases No. 0001* and *No. 0061*. Also see The League's Compliance Topics A to Z page on "Membership."
- **Mortgage loans.** Credit unions that make mortgage loans must adopt written policies (which must be reviewed annually) addressing; types of real estate mortgage loans that will be offered; percentage of assets to be invested in real estate loans by category; the trade area for real estate mortgage loans; maturities of real estate mortgage loans; appropriate limits and standards of creditworthiness applicable to real estate loan approvals; monitoring and quality control standards; appraisal and valuation standards; loan to value limitations on equity loans; asset liability/funds management issues; and a statement of the credit union's policy of nondiscrimination in extending consumer credit, including its commitment to avoid prohibited practices. Wis. Admin. Code DFI-CU 54. See *ii Release No. B053*. Also see The League's Compliance Topics A to Z page on "Mortgage Loans."
- **Non-discrimination in consumer lending.** Wisconsin Consumer Act regulations prohibit discrimination in consumer lending based on (among other things): "Age provided the applicant has the capacity to enter into a binding contract, race, creed, religion, color, disability, marital status, sex, national origin, ancestry, sexual orientation, or membership in the military forces of the United States or this state." The rule goes on to require a written non-

discrimination policy: “The management of each financial organization ... shall adopt a detailed statement of its policy of nondiscrimination in extending consumer credit including its commitment to avoid the specific prohibited practices set forth in this regulation. This statement of policy shall be available to any customer upon request at each office where extensions of credit are made, except that in the case of credit card issuers, the statement shall be furnished upon request of an applicant directed to any office from which such cards are issued. A copy of such policy statement shall be filed with the office of the secretary of the department of financial institutions upon request by that office. Such written policy shall be applied impartially to each person seeking credit.” Wis. Admin. Code DFI-WCA §1.85.

- **Overdraft protection.** FCUs offering overdraft protection are required by NCUA rules to adopt a written policy. NCUA Rules & Regs. §701.21(c)(3). Wisconsin does not have similar regulations governing overdraft protection for state-chartered credit unions, but the Wisconsin Office of Credit Unions indicates that it would be a reasonable practice for state-chartered credit unions to follow the same NCUA regulatory requirements. See *ii Release No. 0169*. Also see “Overdraft protection” under “Federal Law,” earlier in this release. Also see The League’s Compliance Topics A to Z page on “Overdraft Protection.”
- **Record disposal.** The League recommends that credit unions adopt a sound record disposal policy to address the steps they will take to ensure that records are disposed of properly. (OCU approval of the policy is no longer required). See *ii Release No. 0149*. Also see “Fair Credit Reporting Act / FACT Act,” under “Federal Law,” earlier in this release. Also see The League’s Compliance Topics A to Z page on “Record Retention.”
- **Record retention.** The League that credit unions establish policies regarding record retention practices. Wisconsin regulations require each credit union to “retain its records in a manner consistent with prudent business practices and in accordance with this chapter and other applicable state or federal laws, rules, and regulations.” Wis. Admin. Code DFI-CU §57.01. Also see “Record retention” under “Federal Law,” earlier in this release. Also see The League’s Compliance Topics A to Z page on “Record Retention.”
- **Share certificates.** The League recommends that credit unions consider a policy on share certificates, addressing certain issues such as the terms of maturity to be offered; dividend rates; frequency of compounding; payment of dividends; early withdrawal penalties; automatic renewals; Individual Retirement Accounts; and additions to certificates. See *ii Release No. 0015*. Also see The League’s Compliance Topics A to Z page on “Share Certificates.”
- **Skip-a-pay/deferrals.** The League recommends that credit unions consider a policy for how many skips or other deferrals a member may have per year and over the life of a loan. To enforce the policy, it must accurately track skips and deferrals. See *ii Release No. B073*.



League publications are designed to provide accurate information with regard to the subject matter covered, with the understanding that The League does not render legal services. If you have general questions regarding this release, please call The League at (262) 549-0200 if local or (800) 242-0833. For specific legal advice, please consult your credit union’s attorney.

Legal Affairs Department

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