GAO@100
Highlights

Highlights of GAO-21-434, a report to congressional committees

September 2021

NATIONAL CREDIT UNION ADMINISTRATION

Additional Actions Needed to Strengthen Oversight

Why GAO Did This Study

NCUA oversees federally insured credit unions and administers the NCUSIF (which insures the accounts of credit union members). Credit union failures—145 from 2010 through 2020—resulted in more than $1.55 billion in losses to the NCUSIF.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains a provision for GAO to review MLRs and make recommendations to improve NCUA's supervision of credit unions. Among its objectives, this report examines (1) credit union failures since 2010, and (2) NCUA use of supervisory information for deteriorating credit unions and its reporting on failures.

GAO analyzed data and information on credit unions' financial condition and NCUA supervisory activity. GAO examined credit union failures in 2010–2020, NCUA and Inspector General reviews of the failures, and the associated NCUSIF losses, and statistically modeled the relationship between examination findings and credit union deterioration and failure. GAO also interviewed NCUA officials.

What GAO Recommends

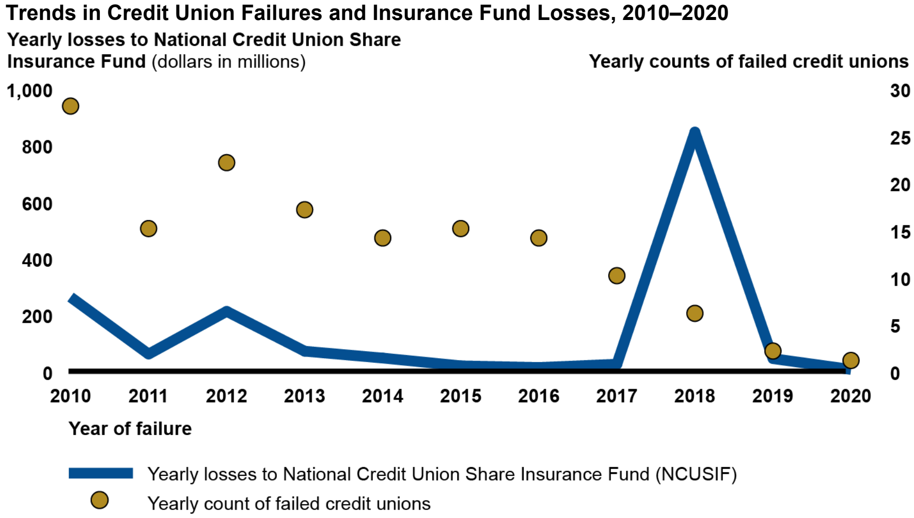
GAO makes three recommendations to NCUA, including that it more fully leverage the component ratings that indicate credit union deterioration and that it document which office should ensure timely completion of post mortem reports on failed credit unions. NCUA agreed with all of the recommendations.

View GAO-21-434. For more information, contact Michael Clements at (202) 512-8678 or clementsm@gao.gov.

What GAO Found

Credit union failures generally declined from 2010 through 2020, as did losses to the National Credit Union Share Insurance Fund (NCUSIF). But losses spiked in 2018 (see figure), largely due to failures of three credit unions with loans concentrated in taxi medallions with declining values. The National Credit Union Administration (NCUA) Office of Inspector General, which conducts material loss reviews (MLR) of certain credit union failures, attributed credit union failures and NCUSIF losses to weaknesses at credit unions and NCUA's oversight.

Trends in Credit Union Failures and Insurance Fund Losses, 2010–2020



Source: GAO analysis of National Credit Union Administration data. | GAO-21-434

NCUA has opportunities to improve its use of supervisory information to address deteriorating credit unions and its processes for reporting on failures, including:

- NCUA examiners rate credit unions according to five individual components: Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity/Asset-Liability Management (CAMEL), and assign a composite rating on their overall condition. NCUA places emphasis on the CAMEL composite ratings to guide its enforcement actions. However, GAO found that when one of a credit union's component ratings is worse than its composite rating, that credit union is more likely to deteriorate or fail. NCUA's policies do not explicitly address how to more fully leverage the component ratings individually to determine an appropriate enforcement action. By more fully leveraging the additional predictive value of the CAMEL component ratings, NCUA could take earlier, targeted supervisory action to help address credit union risks and mitigate losses to the NCUSIF.
- NCUA did not always conduct post mortem reviews (13 of 44 as of April 2021) of certain failed credit unions (to determine causes for failure) and did not complete most reports (30 of 44) in the required time frame. NCUA's policies and procedures do not specify which office should ensure that reports are done and issued on time. Documenting the responsible office would help ensure reviews are conducted and provide useful and timely information.