



Washington State Department of Financial Institutions

## Division of Credit Unions

### WINTER 2021/2022 UPDATE

#### INITIATIVES FOR 2022

The Division of Credit Unions' main initiatives and objectives for 2022 are:

1. Returning to On-Site Exam Work – We currently plan to return to onsite exam work in April. Unlike exams pre-pandemic, we plan to use a hybrid approach, which will include some examiners working fully remotely and some working onsite at the credit union. DFI and our federal counterpart, the NCUA (National Credit Union Administration), will work closely to coordinate.
2. Using the New MERIT Exam Software for All Exams
3. Reconfiguring How IT Security Exams are Performed

#### EXAMINATION FOCUS FOR 2020

On Jan. 3, 2022, the Division of Credit Unions issued [Bulletin B-22-02](#) highlighting areas which examiners will be focusing on. Examination focus for 2022 will include:

1. Net Worth Ratio Pressure
  - a. Strategic Planning
  - b. Business Planning
  - c. Budget
2. Credit Risk
  - a. Underwriting
  - b. Loan Concentration
  - c. Commercial Lending
  - d. New Products
3. Consumer Compliance
4. Information Security and Technology

### CREDIT UNION NUMBERS AS OF Sept. 30, 2021

**50**

State Chartered Credit  
Unions

**4.1 Million**

Washington Credit Union  
Members

**\$76.4 Billion**

Total Assets of  
Washington State  
Chartered Credit Unions

## MODERN EXAMINATION AND RISK IDENTIFICATION TOOL (MERIT)



Members of the Division of Credit Unions (DCU) participated in training to use the National Credit Union Administration's (NCUA) new examination software, Modern Examination and Risk Identification Tool (MERIT), in August of 2021. MERIT replaces the Automated Integrated Regulatory Examination System (AIRES) examination tool, which was used for 25 years. DCU had participated with the NCUA as beta testers on three exams prior to the August 2021 training. After the August training DCU began to use MERIT for all exams. Between September and December, DCU conducted 15 exams in MERIT. It is always hard to say goodbye to an old friend, even when they may not have always been the best friend for you, but we are beginning to see the advantages of our new tools in MERIT, especially as we find and share new tips and tricks with each other.

## UPDATES AND BULLETINS

- In September 2021, the Small Credit Union Workgroup met for the first time in more than a year, due to the ongoing COVID challenges. The workgroup began in 2019 when the CEO of Connection Credit Union in Bremerton, Scott Prior, reached out to Division of Credit Unions Director, Amy Hunter, requesting a meeting to discuss the different needs of small credit unions. A small credit union is defined as being less than \$100 million in assets. Since the first meeting in the summer of 2019, the workgroup has grown to include several other credit unions, from Walla Walla to Tumwater. During the recent meeting, items such as tentative planning with regards to remote exams, operational changes at smaller credit unions post-COVID, and the supply and demand and inflated values surrounding the real estate and automotive market were discussed.
- The Division issued [Bulletin B-22-01](#) (Guidance on NCUA's Final Subordinated Debt Rule) on Jan. 3, 2022. The final subordinated debt rule now permits complex credit unions and newly chartered credit unions to issue subordinated debt to comply with risk-based capital requirements. The rule permits low-income credit unions (LICU) to issue debt instruments to qualifying natural persons, but does not change the ability of a LICU to include Subordinated Debt in its net worth in the same manner in which it currently includes secondary capital in its net worth. You can view the bulletin here: <https://dfi.wa.gov/sites/default/files/credit-unions/bulletins/B-22-01.pdf>

## RECENT CREDIT UNION MERGERS

Merging Credit Union	Continuing Credit Union	Date of Merger
Lower Valley Credit Union Sunnyside, WA	Self Help Federal Credit Union Spokane, WA	Jan. 1, 2021
Lighthouse Community Credit Union Vancouver, WA	Rivermark Community Credit Union Beaverton, OR	May 31, 2021