

NCUA

Adding “S” to CAMEL

Serving Credit Unions the CO-OP Way

EFFECTIVE APRIL 1, 2022

TO Federally Insured Credit Unions
SUBJECT Examination Program
STATUS Active

March 31, 2022

Dear Board of Directors and Chief Executive Officers:

In January 2021 when the NCUA Board first issued the following CAMEL update, I said that this rating adjustment has been a very long time in coming. It becomes effective tomorrow, April 1, after intensive training for our field staff.

The rule breaks new ground in NCUA's efforts to guide credit unions through any adverse environments or unforeseen risks.

This rule's innovative approach is clear from the attached form. It is a process that both examiners and credit unions can implement. For example, any credit union may complete a pre-exam run through to see how they might be rated. The form's simplicity should assist all users to improve their "S" CAMEL compliance.

This implementation is timely. Many credit unions seem to have resigned themselves to sticking with "bank-lite" strategies that do little more than copy the guy down the street. This new approach is one way to tweak that mindset. For those buying whole banks, the form is a tactical check list when converting those operations to the cooperative model.

The "S" criteria can be used when developing a marketing campaign to promote the credit union difference. The final score will help define and reinforce the strategies that drive both institutional design and day-to-day execution when Serving members.

I encourage you to review the form before examiners arrive. This self-assessment is a good reminder of the programs, principles and priorities your credit union follows when Serving members.

Share your results with other credit unions at conferences or online. Transparency is a hallmark of NCUA's supervision. Conversations with other directors and senior staff peers can enhance staying on track or finding new ways to raise member value.

At this time, I understand that many of our state partners have not yet adopted CAMELS. I hope they will follow our lead and modify their rating systems in conjunction with this change.

Sincerely,

/s/

Todd M. Harper

Chairman

1. VOLUNTARY AND OPEN MEMBERSHIP

While credit unions have defined market demographics for their field of membership, the cooperative principle of Voluntary and Open Membership speaks to the idea that all qualified consumers are welcome, embraced, and valued. You own, by simply participating. Your challenges mirror those of your peers, and your life dreams are welcome here. By pooling the challenges of all members, we can innovate together, building solutions that help everyone succeed.

1. Do you have automated membership applications on your website, mobile website, and mobile applications?

Yes, it's an online application, + 2 points

Yes, it's a PDF print, +1 points

No, we you don't have one, -2 points

2. Do you have a "welcome format" when it comes to presenting membership requirements and are they posted in all consumer contact points?

Yes, +2 points

No, 0 points

3. Does your site have a switch kit?

Yes +2 points

No, 0 points

4. Does your website have a refer a friend or referral program?

Yes, +2 points

No, 0 points

5. Do you have a call center membership application process?

Yes, +2 points

No, 0 points

6. Do you post plans or goals for expanding your field of membership and your hopes to build larger communities of co-op members?

Yes, +2 points

No, 0 points

TOTAL FOR THIS PRINCIPLE:

2. DEMOCRATIC MEMBER CONTROL

Credit union members enjoy equal voting rights, and the men and women who serve as elected representatives are accountable to the membership. The power of ownership is at its strongest when members experience the democratic process and understand that they have a voice in the governance and direction of the credit union.

1. Do you advertise the election process with the zest you use in advertising loan specials, branch openings, or savings products?

Yes, +2 points

No, 0 points

2. Do you have elections even when there is no contested contest, selling the power to vote every time?

Yes, +2 points

No, 0 points

3. What percentage of your members vote (use a three year average)?

More than 41%, +7 points

21-40%, +5 points

13-20%, +3 points

6-12%, +2 points

0-5%, 0 points

4. How many ways can your members vote?

More than 3 ways, +5 points

3 ways, +3 points

2 ways, +1 points

1 way, 0 points

5. How many days do the members have to vote?

More than 1 week, +5 points

1 week, +2 points

1 day, +1 point

6. Can members vote online?

Yes, +2 points

No, -2 points

CONTINUED →

2. DEMOCRATIC MEMBER CONTROL CONTINUED

7. Do you advertise the power of volunteering as a community positive?

Yes, +2 points

No, 0 points

8. Do you spend more than you would for a loan promotion advertising the power of volunteering?

Yes, +2 points

No, 0 points

9. Do you advertise a wide open invitation to join our volunteers at the CU?

Yes, +2 points

No, 0 points

10. Are your board member processes and job descriptions advertised for all to consider?

Yes, +2 points

No, 0 points

TOTAL FOR THIS PRINCIPLE:

3. MEMBER ECONOMIC PARTICIPATION

Via their elected representatives, members have control over how the cooperative's capital used – for developing the cooperative, paying dividends, or supporting any other activities agreed upon by the members. The power of that ownership is amplified when the member owner is paid in dollar and cents. Are you reinforcing the value of ownership by paying a return that clearly defined as an ownership dividend?

1. Do you advertise an ownership dividend beyond classic banking rates on loans and savings?

Yes, +2 points

No, 0 points

2. Do you budget an annual ownership dividend?

Yes, +2 points

No, 0 points

3. Do you budget and pay special dividends based on patronage appreciation?

Yes, +2 points

No, 0 points

4. Do you advertise your charitable donation and community participation as good works by your ownership?

Yes, +2 points

No, 0 points

5. Do you advertise the value and the drive of your board to ensure ownership returns?

Yes, +2 points

No, 0 points

6. Do you advertise the growing value of your capital as a community asset and a fund that is willed to the future for the future community members?

Yes, +2 points

No, 0 points

TOTAL FOR THIS PRINCIPLE:

4. AUTONOMY AND INDEPENDENCE

Cooperatives value the autonomy and independence of their communities and the rights of members to be individuals, unique within the cooperative. The common bond is at its strongest when its members see diversity as strength. “We” are our community and our community values individuals and their dreams.

1. Do your products and services respect multiple approaches to saving and borrowing?

Yes, +2 points

No, 0 points

2. Can members opt in and opt out of your member marketing, courtesy pay programs, and other services?

Yes, +2 points

No, 0 points

3. Do you have relational pricing that allows members the options to define their returns and fees?

Yes, +2 points

No, 0 points

4. Do you have special programs that aid diverse groups in taking advantage of the credit union?

Yes, +2 points

No, -2 points

5. Does your board have a sustainability program to ensure its ongoing vibrancy and renewal?

Yes, +2 points

No, 0 points

6. Does your board have a succession plan for key team members to ensure sustainability?

Yes, +2 points

No, 0 points

TOTAL FOR THIS PRINCIPLE:

5. EDUCATION, TRAINING AND INFORMATION

The power of ownership is the ability to gain insight into how cooperative businesses work, so that members can become better buyers and better owners of cooperative services. Cooperatives – credit unions – educate members to see the value from both sides of the table. Education is a foundation, and life learning for all participants of the cooperative is the goal. Cooperatives educate their members, elected representatives, managers, and employees so that everyone can contribute to making the cooperative stronger. They inform the public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

1. Does your credit union offer online education and consumer aids?

Yes, +2 points

No, 0 points

2. Does your credit union offer special auditing opportunities for board meetings, and other member governing events?

Yes, +2 points

No, 0 points

3. Does your credit union post its business plan for members to see?

Yes, +2 points

No, 0 points

4. Does your credit union sponsor education within your community?

Yes, +2 points

No, 0 points

5. Does your credit union reward educational achievements?

Yes, +2 points

No, 0 points

6. Does your credit union have a board member/volunteer education program?

Yes, +2 points

No, 0 points

TOTAL FOR THIS PRINCIPLE:

6. COOPERATION AMONG COOPERATIVES

Cooperatives can serve their member owners best by working together –locally, regionally, and nationally – and by encouraging all participants to default to collaborative responses when approaching business problems.

1. Does your credit union have a policy to review for Cooperative Solutions in the procurement procedures?

Yes, +2 points

No, 0 points

2. Does your credit union participate in partnership with other cooperatives?

More than 5, +5 points

3-5, +3 points

1-2, +1 point

3. Does your credit union participate in Cooperative Trade Associations?

Yes, +2 points

No, 0 points

4. Does your credit union participate with non-credit union Cooperative Trade Associations?

Yes, +2 points

No, 0 points

5. Does your credit union sponsor the creation of new Cooperatives?

Yes, +2 points

No, 0 points

TOTAL FOR THIS PRINCIPLE:

7. CONCERN FOR COMMUNITY

Communities are not just defined by geography! Today “community” is used to represent a common mindset, affiliation, or any other way in which people identify with each other. This principle speaks to a respect for peers who share common goals, challenges, or opportunities, and who choose to work together toward everyone’s success. Cooperatives wear their community pride for everyone to see!

1. How many communities does your credit union recognize as key to your members’ success?

More than 100, +10 points

26-100, +5 points

11-25, +3 points

1-10, +1 points

2. Has your credit union added a new community to its business plan in the last year?

Yes, +2 points

No, 0 points

3. Does your credit union participate in key community events?

Yes, +2 points

No, 0 points

4. Has your credit union been recognized as a positive force by a key community publicly in the last year?

Yes, +2 points

No, 0 points

5. Do you have a public relations committee and on-going budgeted tactic?

Yes, +2 points

No, 0 points

6. Do you present 3 press releases each month to local, regional, and national groups?

Yes, +2 points

No, 0 points

7. Do you support and fund community involvement by staff in your communities?

Yes, +2 points

No, 0 points

8. Do you regularly host community leaders and have your board/volunteers participate?

Yes, +2 points

No, 0 points

TOTAL FOR THIS PRINCIPLE:

HOW DID YOU DO?

Total up the points from each section and see how you did on the chart below. This assessment has a total of 116 possible points.

1	Voluntary and Open Membership	
2	Democratic Member Control	
3	Member Economic Participation	
4	Autonomy and Independence	
5	Education, Training and Information	
6	Cooperation Among Cooperatives	
7	Concern for Community	
GRAND TOTAL		

SCORING

Camel "S" Rating	Total Points	Comments
1	MORE THAN 104 POINTS	Congratulations, you are a shining example of a true cooperative.
2	80-103 POINTS	Not bad, not bad at all. You are doing well.
3	58-79 POINT	Need to work a little more on your core cooperative values.
4 or 5	LESS THAN 58 POINTS	You are a cooperative, right?

How you can help improve this effort:

Do you have any suggestions for how NCUA and your credit union can enhance the review of cooperative principles under the Service CAMEL component?

Unfortunately this isn't a real NCUA document for this April 1. . . yet. But let's Fool around some more to see what creative impulses might be aroused.

Submit your comments to chipfilson@gmail.com