



NATIONAL CREDIT UNION ADMINISTRATION
REGION III

January 12, 2012

SENT VIA FEDEX AND E-MAIL

Dear CEO/Manager:

You may have recently been contacted by an NCUA examiner to schedule an independent insurance review of your credit union. If not, you will be contacted shortly. I am writing to you to explain why NCUA will be conducting independent insurance reviews in all North Carolina federally insured state-chartered credit unions. Let me state emphatically at the outset that the need for NCUA to conduct independent insurance reviews in North Carolina is not driven by anything you did or failed to do, nor any overall concern with the safety and soundness of North Carolina credit unions.

Late last year, the North Carolina Credit Union Division (NCCUD) authorized a state-chartered credit union to publicly release its state-issued CAMEL code, which the credit union subsequently released in several public venues. This is an unacceptable release of exempt records in violation of the NCUA Rules and Regulations, Part 792, and is contrary to the interests of all credit unions and the National Credit Union Share Insurance Fund (NCUSIF).

Federal law and NCUA regulations prohibit credit unions from publicly disclosing information contained in, or related to, examination reports, operating reports or condition reports prepared by, on behalf of, or for the use of federal agencies responsible for the regulation or supervision of financial institutions. 5 U.S.C. §552(b)(8), 12 C.F.R. §792.30.

NCUA and all other federal financial regulators also have a longstanding policy of maintaining the confidentiality of financial institution CAMEL ratings, as well as all parts of examination reports, examination related documents and all information obtained during the course of examinations. This has been universally considered a prudent practice among financial regulators for many years in order to promote an effective working relationship with, and to protect public confidence in, our financial institutions. We strongly believe that the release of any confidential supervisory information, such as CAMEL codes, could cause great harm to the NCUSIF, all insured credit unions and their insured and uninsured depositors, as well as seriously undermining the working relationship between NCUA, state supervisors and all federally insured credit unions.

Our attempts to resolve this issue have not been successful. Unfortunately, the only alternative for NCUA, to protect the confidentiality of examination reports and examination related information, is to completely separate our organization and programs from NCCUD. For NCCUD, that means NCUA will no longer be conducting joint exams or providing or paying for North Carolina examiners' computer equipment, software and training. For you, that means, quite simply, that NCUA will be conducting independent annual insurance reviews and will be reviewing and processing your call reports.

I hope this helps you understand the situation and I appreciate your cooperation during your upcoming insurance review. I am always available to discuss this or any other issue you may have.

Sincerely,

A handwritten signature in black ink that reads "Herbert S. Yolles".

Herbert S. Yolles
Regional Director