

July 2013

Dear CU PolicyPro Clients,

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Content FAQ

Q: How often should a credit union's policies be reviewed?

A: Based on guidance from the NCUA's Examination Manual, in the section that addresses Management, the NCUA states that the credit union "should review and, if necessary, update those policies at least annually."

Q: What polices are required by Federal regulation?

A: There are several policies that are specifically mentioned or required by regulation or regulator guidance (if your credit union provides the service, program or product) and include:

ACH Policy Interest Rate Risk Policy

Allowance for Loan and Lease Loss Policy Investment Policy

Appraisal Policy Loan Participation Policy

Asset Liability Management Loan Policy

Bank Secrecy Act Member Business Loan Policy
Charge Off Policy NSF/Overdraft Privilege Policy

Collections, Bankruptcy and Foreclosure Policy Privacy Policy

Concentration Risk Policy Record Retention Policy

Conflict of Interest/Code of Ethics Red Flag Policy

Disaster Recovery Risk Based Lending Policy

Fair Credit Reporting Act S.A.F.E. Act Policy
Funds Availability Training Policy

Incentive or Bonus Pay to Employees Trouble Debt Restructuring and Non-Accrual Policy

Incident Response Policy Truth in Savings Policy

Indirect Lending Policy Unlawful Internet Gambling Policy
Information Security and IT Policy Vendor Management Policy

It is important to understand that some of these policies may be combined if that is how your credit union currently addresses all of the requirements.

Technical FAQ

Q: Which internet browser works best with CU PolicyPro?

A: While CU PolicyPro works in all major browsers (Internet Explorer, Firefox, Chrome, etc), we have found CU PolicyPro performs better in Firefox or Chrome and would recommend using the latest version of either Firefox or Chrome for the best experience on CU PolicyPro.

For more frequently asked questions, visit the CU PolicyPro FAQs page which includes all FAQs featured in previous newsletters, as well as many others!

Monthly OPS Notes Release: Policy vs. Procedure

When we consider policies and procedures it is easily understood that both are essential in the guidance of credit union operations. Due to the similarities in the concepts for policies and procedures the two words are often used interchangeably, which is not correct. It is important to understand the difference between the two to understand how they affect the guidance and management of credit union activities.

Policies

Policies contain the rules, guidelines and strategic goals that a credit union follows to govern its actions and are also the guiding principles that give direction to the employees of a credit union. Due to the governing nature of policies they are established by the Board of Directors. The NCUA Examination Manual (Management Chapter) provides guidance to credit unions and instructs that "The Board adopts policies to direct the credit union's activities." The Manual also states that "the board must provide a clear framework within which the CEO can operate and administer the credit union's affairs. This includes setting forth the credit union's business strategy in the business plan, investment and loan policies, capital planning, funds management, and risk management. The board must approve all major policies. Further, it should review and, if necessary, update those policies at least annually."

The NCUA guidance provides specific points that are important to understand:

- Policies direct the credit unions activities;
- The Board of Directors must approve all major policies; and
- The Board should review and update policies annually.

Credit unions policies can also be thought of as the written rules under which operations are carried out to achieve the goals of the credit union, Board, and the members. As with all organizations, credit union's policies pertain to every aspect of operations including: administration, operations, accounting, security, asset liability management, investments, lending, and even record retention.

Procedures

Procedures represent the process the credit union uses to implement policies. They are step by step instructions that provide credit union employees with the information they need to conduct daily credit union practices and operations.

When reviewing policies and procedures, and trying to understand the difference between them, it sometimes helps to put them into the context of everyday use. Credit unions have policies and procedures that govern cash handling. The policies specifically address cash limits and controls; while the procedures provide step by step instructions on how a teller will balance their cash drawer and what steps to take in the event that a cash shortage or overage exists.

The differences between policies and procedures can be further explained:

- Policies direct decision making, and procedures guide employee actions.
- Policies are an integral part of a credit unions strategy, while procedures are the process that is followed to achieve strategic goals.
- Policies are approved and instituted by the Board of Directors; through policy guidance procedures are created by management to assist employees in meeting operational requirements for the credit union.

Policies set the guidelines for the credit union and procedures are their practical applications. The NCUA Examiners Manual further defines the application and intersection of policies and procedures through the statement that "operating policies and procedures establish management's strategy for realizing the credit union's goals, and they provide a basis for gauging performance."

CU PolicyPro provides credit unions with model policies that your credit union can customize to meet its needs; however, we do not provide

procedures.

This edition of OPS NOTES was prepared by the Michigan Credit Union League.

Questions?

If you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact https://doi.org/10.1007/j.com.

If this information was forwarded to you, and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, contact hrsupport@cusolutionsgroup.com.

Thanks and have a great week!