



State of Wisconsin
Department of Financial Institutions

Scott Walker, Governor

Jay Risch, Secretary

December 14, 2018

GENERAL LETTER CU 5-18
LIQUIDITY MANAGEMENT

TO ALL CREDIT UNIONS:

As of September 30, 2018, Wisconsin credit unions had a loan to share ratio of 97.16%. The increase in loans has stressed liquidity for many credit unions in the state. Examiners have expanded their analysis of liquidity at credit unions with low levels of liquidity. The expanded analysis is to determine how a credit union measures, monitors and manages liquidity and liquidity risk.

Wisconsin credit unions must also be aware of the requirements of NCUA Rules and Regulations Part 741.12, *Liquidity and Contingency Funding Plans*. Compliance with this federal regulation is a requirement of federal insurance. Guidance on how to comply with this regulation is in NCUA Letter to Credit Unions No. 13-CU-10. Examiners will analyze compliance with this regulation so I encourage all credit unions to be familiar with the regulation and the guidance set forth by NCUA.

The expanded examiner analysis will look at areas including (but not limited to):

- Liquidity risk profile and balance sheet composition
- Liquidity policy and contingency funding plans
- Cash flow forecast
- Liquidity testing and monitoring (including stress testing)
- Strategic planning and budgeting for 2019 (asset and loan growth projections)
- Funding sources and reliance on (such as borrowed funds, non-member deposits, etc.)
- Management or third party review of the liquidity system on a periodic basis (policies, procedures, internal controls, etc.)
- Communication of liquidity events and knowledge of liquidity status by senior management and the Board of Directors

Examiners understand that there is no one-size fits all approach to liquidity management and liquidity management is dependent on the size, complexity and business model of a credit union. Credit unions should maintain documentation of their practices to ensure liquidity levels are within the established limits and management and staff is proactive in the management of liquidity.

If you have questions, please contact the Office of Credit Unions at 608-261-9543.

Sincerely,

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OFFICE OF CREDIT UNIONS

Office of Credit Unions

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