



**PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS**

Matthew G. Bevin
Governor

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David A. Dickerson
Secretary

Charles A. Vice
Commissioner

December 1, 2016

Dear Credit Union President,

Beginning in 2017, the Kentucky Department of Financial Institutions (the "Department") will adjust the examination cycle for Kentucky-chartered credit unions. The Department will continue to perform annual examinations for credit unions that meet any of the following criteria:

- Exceeded \$1 billion in total assets as of the most recent calendar year-end;
- Received a composite rating of 3, 4, or 5 at the most recent examination;
- Is under an enforcement action; or
- Exhibits an elevated risk profile.

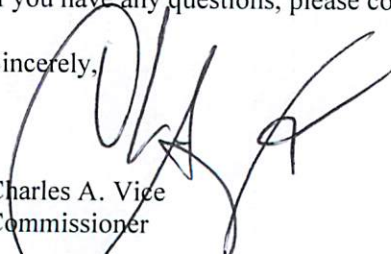
When determining the existence of an elevated risk profile, the Department will consider institutions with asset sizes approaching \$1 billion; CAMEL component ratings of 3, 4, or 5; significant negative financial trends; minimal capital; Documents of Resolution; and management turnover.

Credit unions that do not meet the above-mentioned criteria will be examined every 14 to 22 months. Department examiners will conduct targeted, on-site visits and/or off-site contacts for credit unions that are examined less frequently than annually. These contacts will be in addition to the credit union's regularly scheduled examination. You may be asked to provide certain documents or records for these targeted contacts.

As the Department transitions to the new examination cycle, scheduled examinations may occur sooner than the 14 to 22-month cycle for eligible credit unions. The examiner-in-charge will provide you with at least 30 days' notice prior to coming on-site. Examiners will begin a review off-site prior to the start of the on-site portion of the examination. Therefore, we ask that you prepare and provide all requested documents by the date specified in the request letter. Requested documents should be provided electronically through a secure electronic exchange or by a password protected or encrypted USB drive. You may contact the examiner-in-charge to discuss the most efficient way to transmit documents.

If you have any questions, please contact me at (502) 782-9033.

Sincerely,


Charles A. Vice
Commissioner

cc: Craig Bilotta and Mark Skaggs, NCUA Supervisory Examiners