

How to Use This Manual

The National Credit Union Administration (NCUA) Rules and Regulations charge boards of directors of federal credit unions with the responsibility for establishing written policies (e.g., for loans, lines of credit (701.21(c)(2)); for investments (703.3)). Additionally, evidence that written policies are in place is being consistently requested by regulators at the onset of the examination process. Although regulatory compliance issues must be addressed in the development of credit union policy, *NAFCU's Policies and Procedures for Credit Unions* is not a comprehensive reference guide of regulatory compliance requirements. Rather, the objective of this manual is to present step-by-step guidelines to assist you in developing workable and comprehensive policies and procedures for your credit union.

Even if not mandated by regulation, formal policies and procedures indicate that a strong, proactive philosophy exists in the credit union, demonstrated by the fact that policies have been developed to assist management in handling day-to-day operations in a safe and sound manner.

You can use this manual to help you organize your approach to developing credit union policies and procedures and to ensure that specific areas are covered and analyzed during the policy development process. Or, you can use the manual to review the effectiveness and adequacy of your existing policies and procedures — whether you are testing to see if a particular area is covered, determining whether policies or procedures contain the information required, assessing the scope of a policy, or ensuring that a policy meets the requirements of regulatory agency examiners.

DIFFERENCE BETWEEN POLICY AND PROCEDURE

Policy and procedure, while closely related, are not synonymous and are often confused and misinterpreted. Policy is why a course of action is to be taken; procedures are how to accomplish policy directives.

“Policy” is a written plan or course of action designed and adopted to influence and determine decisions and actions taken. The board of directors of the credit union is responsible for the development of credit union policy. Policy should be kept brief, stated succinctly, and avoid the use of “legalese.”

“Procedures” are written steps or courses of action that are established to perform or effect policy. The responsibility for developing and implementing procedures should be the direct responsibility of credit union management. Procedures are much more detailed, and set forth step-by-step directions on how each functional task is to be performed to implement policy.

NAFCU's Policies and Procedures for Credit Unions provides direction in both of these areas to help you devise comprehensive guidelines for your credit union.

HOW THE MANUAL IS ORGANIZED

NAFCU's Policies and Procedures for Credit Unions is organized into four sections that cover a credit union's main functional areas:

- Administration
- Finance/Treasury
- Lending
- Operations

Individual chapters provide sample policies and procedures for a specific function. These sample policies and procedures were not designed to fit the needs of every credit union, nor could they ever be written to serve this purpose. Rather, your credit union should use these sample policies and procedures as a starting point and then tailor the policies and procedures to meet your credit union's specific organizational needs. If you are a state-chartered credit union, you should check applicable state regulations as well in developing your policies and procedures.