Regulatory Comment: FFIEC Uniform Financial Institutions Rating System Request for Comment

THE ISSUE:

On May 19, 2026, the Federal Financial Institutions Examination Council (FFIEC) issued a request for comment on proposed revisions to the Uniform Financial Institutions Rating System (UFIRS), also known as the CAMELS rating system. The proposal would keep the basic CAMELS framework but revise several parts of the rating system to more closely tie ratings to a financial institution's financial condition and risk profile. The proposal would focus ratings on issues that materially affect safety and soundness, reduce the weight currently placed on the Management component, clarify when specialty review findings should affect CAMELS ratings, and remove references to reputation risk.

IMPACT TO CREDIT UNIONS:

The UFIRS applies to federally insured credit unions through NCUA examinations. CAMELS ratings can affect the level of supervisory attention a credit union receives, the tone of the exam process, and the resources a credit union must devote to addressing examiner concerns. The proposal would place more emphasis on material financial risks and less emphasis on process concerns that do not affect safety and soundness. This could help ensure that CAMELS ratings better reflect a credit union's actual condition. The proposal may also help reduce the risk that immaterial documentation issues or specialty review findings drive broader rating downgrades.

KEY POINTS:

- Revises the framework to focus more directly on a financial institution's financial condition, risk profile, and material financial risks.
- Removes the current instruction that examiners give "special consideration" to the Management rating when assigning the composite rating.

- Revises the Management component so that a less-than-satisfactory rating based on risk management weaknesses would generally need to involve material financial risk, unreliable reporting, failure to safeguard assets, or significant noncompliance with law.
- Specialty review findings would affect CAMELS ratings only when they impact the institution's overall financial condition, pose material financial risk, or reflect significant noncompliance.

ACTION NEEDED: Deadlines and contacts

Please use the comment link below to respond to America's Credit Unions' survey. This will help shape the discussion and better address your needs in our comment letters.

- Comments due to America's Credit Unions: July 20, 2026 — **Submit here**
- Comments due to the FFIEC by August 17, 2026
- Questions? Contact **Luke Martone**, Regulatory Advocacy Senior Counsel
- Agency contact: Ian Marenna, Associate General Counsel: imarenna@ncua.gov; (703) 518-6540

QUESTIONS TO CONSIDER:

1. Would the proposed changes help ensure CAMELS ratings are more closely tied to a credit union's actual financial condition and material safety and soundness risks?
2. Would the proposal reduce the risk that immaterial process, documentation, or supervisory concerns result in lower CAMELS ratings?
3. Should a Management concern lower a credit union's overall CAMELS rating when the credit union is otherwise financially sound?
4. How should NCUA examiners consider specialty review findings, such as BSA, consumer compliance, or information systems findings, when assigning CAMELS ratings?

5. Should compliance findings affect CAMELS ratings only when they involve significant noncompliance, material financial risk, or broader safety and soundness concerns?
6. What guidance or examples would help ensure the revised framework is applied consistently across credit unions of different sizes and risk profiles?
7. Any other comments regarding this proposal.

BACKGROUND:

The UFIRS is the supervisory rating system used by federal and state regulators to evaluate the safety and soundness of financial institutions. Under the current framework, financial institutions receive a composite CAMELS rating and individual component ratings for Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk.

The proposal is intended to strengthen the link between CAMELS ratings and safety and soundness. The proposal would revise rating definitions and evaluation factors so that ratings better reflect an institution's financial condition and material risks.

The FFIEC noted that industry commenters have raised concerns that the Management component has been overweighted in determining composite ratings. The proposal is intended to create a more balanced approach and improve transparency for financial institutions.

SECTION-BY-SECTION ANALYSIS:

1. Remove "Special Consideration" Given to the Management Rating in the Composite Rating

The current UFIRS framework states that the Management component receives "special consideration" when assigning a composite rating. The proposal would remove that language.

The FFIEC states that this change is intended to create a more balanced approach. Management would remain an important rating component, but it would no longer receive special weight by default. The composite rating would instead reflect the institution's overall financial condition and risk profile, based on all relevant component ratings.

2. Changes to the Management Component Rating

The proposal would revise the Management component rating factors and definitions. The FFIEC states that these changes are intended to focus the Management rating on the most material aspects of risk management.

The proposal would remove certain current evaluation factors, including management depth and succession, responsiveness to recommendations from auditors and supervisors, and demonstrated willingness to serve the legitimate banking needs of the community.

The proposal would also establish a material financial risk threshold for assigning a Management rating of 3 or worse based on risk management weaknesses. Under the proposal, such ratings would generally apply when risk management practices result in material financial risk to the institution. A 3 or worse rating could also apply where the institution has unreliable financial or regulatory reporting, has failed to safeguard assets, or is in significant noncompliance with law or regulation.

3. Treatment of Specialty Review Findings

The proposal would clarify how specialty review findings affect CAMELS ratings. Specialty review areas may include consumer compliance, BSA/AML, information systems, trust, and other specialized reviews.

Under the proposal, specialty review findings would influence CAMELS composite and component ratings only to the extent that they affect the institution's overall financial condition, represent material financial risks, or reflect significant noncompliance with laws and regulations. This change is intended to prevent specialty review findings from affecting CAMELS ratings when the findings do not have a meaningful safety and soundness impact.

4. Revisions to Composite Rating Definitions

The proposal would revise the composite rating definitions to focus more clearly on financial performance, risk management weaknesses, material financial risk, and significant noncompliance.

- Composite 1 or 2: Institutions would have strong or satisfactory financial performance and only minor or moderate risk management weaknesses.
- Composite 3: Institutions would have less-than-satisfactory financial performance or inadequate risk management practices that result in material financial risk. Significant noncompliance with law or regulation could also support this rating.
- Composite 4 or 5: Risk management weaknesses that do not result in observable financial deterioration or material financial risk would not alone support this rating.

5. Clarifying Language on Risk Management

The proposal would revise broad risk management language in several component ratings. The FFIEC states that the goal is to make the evaluation factors more specific and easier to apply.

For example, the proposal would replace broad language about management's ability to identify, measure, monitor, and control liquidity risk with more specific language focused on funds management practices, contingency funding plans, and cash flow forecasting.

The Management component would continue to address the effectiveness of the board and management in overseeing material financial risks. However, the proposal would make the Management evaluation factors more specific and measurable.

6. Clarifying Evaluation Factors

The current UFIRS framework states that component ratings are based on listed factors, "but not limited to" those factors. The proposal would remove that phrase. Instead, the proposal would allow examiners to consider additional evaluation factors only in exceptional circumstances or because of evolving business practices. Any additional factor would need to be critical to assessing the institution's financial condition or risk profile, with emphasis on material financial risks. Examiners would also be expected to document and explain the reason for considering any additional factor.

The proposal would also revise certain evaluation factors to improve clarity. For example, it would clarify the treatment of contingent liabilities, funding costs, earnings exposure to commodity prices, and net interest income performance.

7. Improving Consistency, Structure, and Approach to Ratings Definitions

The proposal would make the rating definitions more consistent across CAMELS components. The FFIEC proposes to use more uniform terminology to describe financial condition and risk management practices. For financial condition, the proposal would use terms such as strong, satisfactory, less than satisfactory, deficient, and critically deficient. For risk management practices, the proposal would use terms such as effective, adequate, inadequate, and deficient.

The FFIEC states that these changes are intended to make the rating framework clearer and help institutions better understand the degree of concern reflected in a rating.

8. Modernizing and Conforming Framework Language

The proposal would update terminology throughout the UFIRS framework to reflect current industry standards and accounting practices. For example, it would replace references to "allowances for loan and lease losses" with "allowances for credit losses" to reflect the Current Expected Credit Losses accounting standard. The proposal would also remove all references to reputation risk.