Are You Ready for Your Next Exam? What FIs Need to Know Heading Into 2026

Rafael DeLeon

Amid regulatory staffing challenges, shifting mandates, and a more complex risk landscape, exams are evolving. For financial institutions (FIs), this evolution represents both opportunity and exposure: an opportunity to showcase operational maturity, and exposure for gaps that may have gone unaddressed.

Many institutions have already experienced this shift firsthand, as shared in the *Ncontracts 2025 Future of Compliance* survey report. While regulatory expectations continue to evolve, they haven't eased — and FIs are nowhere near off the hook. Now more than ever, they must be able to tell a coherent story about risk posture, governance practices, and strategic alignment. Exam readiness today is not just about surviving — it's about demonstrating resilience that builds confidence with regulators and strengthens decision-making internally.

Manual Processes Are Under Scrutiny

Examinations today are unfolding under tighter constraints — smaller teams, shorter timelines, and, at times, examiners with varying levels of subject matter expertise. Nearly 40% of compliance professionals say they've worked with new or less experienced examiners compared to previous years.

Fewer and less-experienced examiners mean fewer touchpoints, limited opportunities to provide context, and a sharper focus on areas that surface as potential weaknesses. Even under constrained conditions, examiners will still surface major red flags — fragmented processes, unclear risk communication, and legacy systems that no longer align with an institution's size or complexity. The survey found that FIs that relied on manual tools, such as spreadsheets and email, were 7x more likely to report examiner questions than their peers with automated systems.

Think of risk and compliance infrastructure like a phone. Manual, ad-hoc processes operate like a flip phone in a smartphone world — technically functional but poorly suited to the complexity and pace of today's environment. FIs that adopt automated, well-organized systems are not only better positioned to identify emerging risks but are also far less likely to draw examiner concern.

What Your FI Can Do: Be prepared to show how your institution is staying ahead of evolving risks and using automated technology to create a cohesive, integrated approach to risk management.

Know Your Risk Management Story

As exams evolve, they will also vary. Think of it like a home appraisal — sometimes the examiner checks every detail, other times they only survey the perimeter.

For FIs accustomed to regular feedback, this shift is a wake-up call. Examiners evaluate how well an institution manages risk — they don't assemble the story for you. That requires systems and processes that clearly show what's happening, why, and how risks are being addressed.

Some questions to consider:

- Are my people, processes, and systems aligned?
- Have new products or systems introduced additional risks?
- Is the board getting the right information?
- What emerging risks need attention, and how are they being mitigated?

As more FIs experience remote and virtual exams — with more than 40% of compliance professionals reporting this shift — and as examiners lean on tools such as Uniform Bank Performance Reports (UBPRs), the focus shifts from what they find on-site to what the institution already knows and how effectively it manages risk. FIs using modern, integrated tools to monitor, report, and communicate risks are better positioned for a smooth exam, whether on-site or virtual.

What Your FI Can Do: Be proactive. Demonstrate that risks are tracked, managed, and clearly communicated — even when exams are conducted remotely and examiners have limited time to go deep.

Uncertainty is Certain

As the regulatory environment evolves, so do market conditions. FIs must consider how economic changes affect their market area, performance, products, and services.

Layoffs and broader economic pressures create ripple effects: reduced disposable income, strain on small business borrowers, shifts in housing demand, and potential declines in property values. For community FIs with concentrated commercial real estate portfolios or loans tied to specific industries, these dynamics can have a direct impact on risk profiles and CAMELS ratings.

At the same time, regulators are placing more responsibility on institutions to manage their own risk. Building on his comments regarding the need for "prudent" risk management earlier this

year, Comptroller of the Currency Jonathan Gould has announced the OCC's intention to refocus supervision on material risks, rather than simply conducting check-the-box compliance exercises. This shift places more responsibility on institutions to define, monitor, and manage their risks as needed.

What Your FI Can Do: Anticipate how economic and market shifts could affect your risk profile, and proactively document your response. Show examiners that you're actively monitoring emerging risks, adjusting strategies as conditions change, and using systems to track and communicate those risks clearly to leadership.

How to navigate your next exam

Every exam is different, but preparation is non-negotiable. FIs that approach exams proactively — not reactively — are best positioned for success.

- **Prioritize CAMELS components**. Examiners may not have time to review every procedure at your FI, especially if the exam is virtual. Focus on capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk — the areas that matter most.
- **Keep the board engaged**. Examiners want to see leadership actively overseeing risk. Ensure the board receives the right information, asks the tough questions, and sets the tone from the top.
- **Be transparent**. Examiners are operating with limited resources. FIs that perform best are those that are honest about risks, acknowledge challenges, and demonstrate a clear plan to address them.
- **Demonstrate forward-looking oversight**. Show what you're monitoring, emerging risks you're tracking, and steps you're taking to mitigate potential issues.
- **Avoid the "it's fine" mindset**. Downplaying risks or feedback can lead to greater scrutiny and potential penalties. Clear, proactive risk management builds examiner trust and helps prevent surprises.

As 2026 approaches, now is the time to ensure your FI's risk management practices are robust and operationally mature. By leveraging automated tools and maintaining clear, consistent communication across the organization, you can better navigate exams effectively — whether on-site or remote. Staying ahead of emerging risks and presenting a cohesive, well-documented risk narrative builds confidence not only with regulators but also with internal stakeholders, reinforcing your FI's resilience and strategic oversight.

About Ncontracts

Ncontracts provides integrated risk management, compliance, and third-party risk management solutions to over 5,500 organizations worldwide, including 4,500 U.S. financial institutions, mortgage companies, and fintechs. The flagship Ncontracts IRM suite combines AI-powered software with expert services, helping financial institutions streamline risk, compliance, and vendor management through an intuitive, cloud-based platform. Ncontracts' Venminder solution is trusted by enterprise financial companies and other large organizations to strategically manage third-party risk across the entire vendor lifecycle.

Visit http://www.ncontracts.com or follow the company on LinkedIn and X for more information.