



BOARD ACTION MEMORANDUM

TO: NCUA Board
DATE: July 20, 2017

FROM: Office of Examination & Insurance
Office of the Chief Financial Officer
Office of General Counsel
SUBJ: Closing the Temporary Corporate Credit Union Stabilization Fund and Setting the Normal Operating Level

ACTION REQUESTED: Board approval to publish in the *Federal Register* a Notice and Request for Comment on closing the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) and setting the National Credit Union Share Insurance Fund (Share Insurance Fund) normal operating level.

DATE ACTION REQUESTED: July 20, 2017

OTHER OFFICES CONSULTED: Office of the Chief Economist, Asset Management and Assistance Center

VIEWS OF OTHER OFFICES CONSULTED: Concur

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: No

BUDGET IMPACT, IF ANY: Additional costs of less than \$1 million are anticipated to provide support and technical assistance related to closure of the Stabilization Fund.

RESPONSIBLE STAFF MEMBERS: Larry Fazio, Director, Office of Examination & Insurance; Rendell Jones, Chief Financial Officer, Office of the Chief Financial Officer; Mike McKenna, General Counsel, Office of General Counsel; Ralph Monaco, Office of the Chief Economist

SUMMARY: In accordance with the Federal Credit Union Act (Act), the NCUA Board has authority to close the Stabilization Fund at its discretion at any time prior to the statutory expiration date when the Fund has no deficit, at which time all funds, property, and other assets of the Stabilization Fund shall be distributed to the Share Insurance Fund. As outlined in the attached request for comment, the Board is proposing to close the Stabilization Fund in 2017.

At time of closure, the assets and liabilities of the Stabilization Fund will be distributed to the Share Insurance Fund, increasing the Share Insurance Fund's equity ratio. Per the Act, the Board shall effect a pro-rata distribution to insured credit unions after each calendar year if, as of the

end of that calendar year, the Share Insurance Fund's equity ratio exceeds the normal operating level.¹

After closure, the Share Insurance Fund will bear the remaining risks associated with the corporate system resolution program, including the potential for market-value adjustments and write-downs related to the Legacy Assets. To ensure the Share Insurance Fund maintains sufficient capital to absorb these potential losses, in addition to other risks affecting the equity ratio, NCUA is proposing to set the normal operating level at 1.39 percent, using the approach outlined in the attached request for comment.

RECOMMENDED ACTION: Recommend the Board approve publication of the attached *Federal Register* Notice and Request for Comment, with comments due by September 5, 2017 to be assured of consideration.

ATTACHMENT: *Federal Register* Notice and Request for Comment

¹ The Act also stipulates that any outstanding borrowings from the Federal Government be repaid and the Share Insurance Fund's available assets ratio exceed 1.0 percent in order to effect a distribution.