



BOARD ACTION MEMORANDUM

TO: NCUA Board
DATE: September 28, 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: (1) close the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund); (2) set the National Credit Union Share Insurance Fund (Share Insurance Fund) normal operating level; (3) Adopt the policy for setting the normal operating level outlined in the attached *Federal Register* notice (4) publish in the *Federal Register* the attached Notice explaining the bases for these actions; (5) amend NCUA's Delegations of Authority to reflect the closing of the Stabilization Fund; and (6) authorize staff to take any actions necessary to close the Stabilization Fund.

DATE ACTION REQUESTED: September 28, 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.¹ Staff recommends closing the Stabilization Fund on October 1, 2017.

¹12 U.S.C. §1790e(h)

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.²

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, staff recommends the NCUA Board set the normal operating level at 1.39 percent.

Several administrative steps are also necessary in connection with closing the Stabilization Fund. The NCUA's internal Delegations of Authority should be updated to reflect closure of the Stabilization Fund. Specifically, delegation SPE 36 should be amended to substitute the Share Insurance Fund for the Stabilization Fund in connection with payments relating to the NGN Program. Staff also recommend the NCUA Board authorize the Executive Director and the NGN Oversight Committee³ to take any actions necessary to close the Stabilization Fund or implement related commitments made in the attached *Federal Register* notice. These actions include communicating with other federal agencies, such as the U.S. Treasury.

RECOMMENDED ACTION: Recommend the Board:

1. Approve closing the Stabilization Fund in 2017 effective October 1, 2017.
2. Set the Share Insurance Fund's normal operating level at 1.39 percent, effective September 29, 2017.
3. Adopt the policy for setting the normal operating level outlined in the attached *Federal Register* notice.
4. Publish the attached Notice in the *Federal Register* explaining the bases for actions 1, 2, and 3.
5. Amend Delegation of Authority SPE 36 upon the closing of the Stabilization Fund to substitute the Share Insurance Fund for the Stabilization Fund in connection with payments relating to the NGN Program.
6. Authorize the Executive Director and the NGN Oversight Committee to take any actions necessary to close the Stabilization Fund or implement related commitments made in the attached *Federal Register* notice.

ATTACHMENTS:

1. *Federal Register* Notice
2. Revised Delegation of Authority SPE 36.

² 12 U.S.C. §1782(c)(3). 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. *Id.*

³ The NGN Committee is comprised of the Director of the Office of Examination and Insurance, the Chief Financial Officer, and the President of the Asset Management Assistance Center.