NATIONAL CREDIT UNION ADMINISTRATION

1992 ANNUAL REPORT

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THE MISSION OF THE NATIONAL CREDIT UNION ADMINISTRATION IS TO ENSURE THE SAFETY AND SOUNDNESS OF CREDIT UNIONS BY PROVIDING APPROPRIATE REGULATION AND SUPERVISION WHILE EFFECTIVELY MANAGING THE AGENCY'S RESOURCES AND THE SHARE INSURANCE FUND.

★ ★ ★

The National Credit Union Administration is an independent federal agency that supervises and insures 7,916 federal credit unions and insures 4,737 state-chartered credit unions. It is entirely funded by credit unions and receives no tax dollars.

This 1992 NCUA Annual Report is an official report to the President and the Congress of the United States.

National Credit Union Administration
1776 G Street Northwest
Washington, D.C. 20456

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★ FINANCIAL HIGHLIGHTS ★

National Credit Union Administration[1]	
1992 budget	$ 87.3 million
Actual expenses	82.5 million
Operating fee income from federal credit unions	40.2 million
Expenses transferred to Share Insurance Fund	41.3 million
Other income	0.7 million
Operating Fund balance	1.2 million

National Credit Union Share Insurance Fund[1]	
Total insured shares (December 31)	$229.5 billion
Total assets	2.7 billion
Gross income	278.0 million
Net income	119.9 million
Operating expenses	46.2 million
Insurance losses	112.0 million
Reserve for losses	130.8 million
Equity ratio (fund balance as percentage of insured deposits)	1.26 percent

Central Liquidity Facility[1]	
Total assets	$ 560.6 million
Member shares and retained earnings	539.9 million
Net income	20.3 million
Dividends paid	19.6 million
Reserves	10.3 million

Federally Insured Credit Unions[2]	
Number of credit unions	12,653
Total assets	$261.3 billion
Equity to assets	8.1 percent
Share growth	13.6 percent
Ratio of loans to shares	60.0 percent
Delinquency ratio	1.3 percent
Net income growth	72.7 percent

[1] The fiscal year of NCUA, the Share Insurance Fund, and CLF begins October 1 and ends September 30.

[2] Credit union data is based on the calendar year.

★ NCUA IS READY FOR THE FUTURE ★

NCUA's next annual report is likely to be signed by a new chairman, so I will take my leave with this issue. The eight years I have spent at NCUA have passed quickly, and I am grateful for the counsel and fellowship of everyone I've served with.

Roger W. Jepsen

Today, NCUA is ready for the future. Through long-range planning and a commitment to recruiting, training, and technology, the agency has found its focus. We have sharpened our skills in every department, strengthened the examination program, and improved safety and soundness in credit unions.

★ BY ALL MEASUREMENTS, CREDIT UNIONS ARE AT THE HIGH POINT OF THEIR FINANCIAL HISTORY. ★

By all measurements credit unions are at the high point of their financial history. With record high capital levels and the lowest number of problem cases in years, credit unions are positioned to compete head-to-head with whatever the future holds. It is my sincere hope that NCUA and the credit union community continue the cooperative and productive relationship that benefits the members so well.

I came to NCUA not knowing much about credit unions; I leave knowing that they are a unique blend of heart power and dollar power. My thanks to the dedicated staff at NCUA and the entire credit union community for eight good years. It has been a privilege to serve.

Roger W. Jepsen

Roger W. Jepsen
Chairman of the Board

Shirlee P. Bowné

Having served my first full year on the NCUA Board, I've learned that the credit union community is full of caring and intelligent people committed to credit union ideals. It's gratifying for a newcomer to learn that such a tight-knit community exists. My thanks for a warm welcome.

In 1992, credit unions performed exceptionally well. It is clear to me that NCUA and credit unions are focused on the same goal, to make sure members receive the best possible service and have the highest degree of confidence in the safety of their funds.

Credit unions and NCUA now have a track record that will lead to greater accomplishments in the years ahead. With "all systems go," NCUA can now help credit unions manage the risk that comes with innovation. The nature of the innovation is something I look forward to discussing with NCUA staff and credit unions.

Chairman Roger Jepsen deserves a great deal of credit for the progress of recent years. He has provided dynamic leadership to NCUA, he has worked closely with the credit union community, and he has earned the respect and affection of his co-workers at NCUA.

Shirlee P. Bowné
Vice Chairman

Robert H. Swan

In August of this year Senator Roger Jepsen's term as chairman of NCUA will expire. This event portends a credit union industry in transition and that the goals and direction of NCUA will also change.

We would be remiss, however, if we were to allow his retirement to go unnoticed here. The year 1992 was a good year for credit unions and NCUA and much of the good news can be attributed to the dedication and vision of Chairman Jepsen.

In 1985, when Roger Jepsen became NCUA chairman, the agency was suffering from poor morale, was badly understaffed, the training program was almost nonexistent, and new technologies were not being considered. Through his leadership, NCUA moved aggressively forward and today we are an agency prepared to handle all emergencies, large or small.

We owe a great measure of thanks to Chairman Jepsen for his years of selfless service on behalf of credit unions. His presence will be greatly missed at NCUA.

Robert H. Swan
Member of the Board

★ FIVE-YEAR PLAN WAS A SUCCESS ★

Donald E. Johnson
Executive Director

This was a momentous year for the National Credit Union Administration–it marked the end of NCUA's original long-range plan. The agency accomplished every goal and objective.

The NCUA Board approved the five-year plan in May 1986 and updated it in 1988. The long-range plan successfully steered the agency through economically turbulent years.

Some accomplishments include:

- Annual examinations of all federal credit unions, all corporate credit unions and many federally insured state credit unions,
- An automated core examination system used by NCUA examiners and three-fourths of state regulators,
- Increased supervision of problem credit unions, reducing the number of problem credit unions to 608–down from 1,018 in 1988, and
- Quarterly call reports for larger credit unions.

In 1992, the NCUA Board met with senior staff to update its mission statement, goals, and objectives and to chart the agency's course through 1997. For two days the group candidly reviewed the past, made assumptions about the future, and judged NCUA's present field force and programs.

Ten new agency objectives resulted, stressing safety and soundness and efficient management of the Share Insurance Fund.

"Efficiently managing the agency's resources" remains a critical element of NCUA's mission statement. In 1992, budget tightening was widespread–and NCUA was no exception. Through an exhaustive and rigorous effort to hold down expenditures, the budget increase was the smallest in eight years–1.9 percent.

Construction on NCUA's new building in Alexandria got underway in 1992 and by year-end the contractor had finished placing the concrete for all floors of the building. The agency expects to move into the new building in the fall of 1993. The NCUA Board voted to purchase the building late in 1991 when an expiring lease threatened spiraling rent costs. The purchase will save the agency $30 million over the first 15 years.

Finally at year-end, credit unions in the New England area reached a turning point. Region I began 1992 with 194 problem credit unions. By December, 108 of those cases were resolved and risk to the Share Insurance Fund from problem credit unions had declined considerably.

All regions pitched in to help with the heavy workload. Region II completed the transfer of the supervision of New Jersey credit unions from Region I. Region III took over credit union supervision in Puerto Rico and the Virgin Islands. Other regions detailed employees to Region I to help carry the workload.

Throughout 1992, staff worked hard to carry out NCUA's mission: "To ensure the safety and soundness of credit unions by providing appropriate regulation while effectively managing the agency's resources and the Share Insurance Fund."

★ ENFORCEMENT ACTIONS STILL RARE ★

When Congress increased the enforcement authority of financial regulatory agencies in 1989, many credit unions feared that the number of actions would dramatically increase. That has not happened.

Robert M. Fenner
General Counsel

The need for enforcement action continues to be rare among credit unions. NCUA enforcement actions were almost exactly the same in 1992 as in 1991—52 actions in 1992 compared to 51 in 1991.

★ NCUA ENFORCEMENT ACTIONS WERE ALMOST EXACTLY THE SAME IN 1992 AS IN 1991. ★

NCUA's enforcement powers include removal and prohibition, cease and desist orders, civil money penalties, termination of insurance, and conservatorship. Published Letters of Understanding and Agreement—binding agreements between NCUA and insured troubled credit unions—can also be legally enforced.

During 1992, NCUA assessed six money penalties, suspended 14 individuals because of criminal convictions, and issued 10 cease and desist orders and 18 removal or prohibition orders.

Five credit unions were placed into conservatorship in 1992 compared to 13 in 1991. And in 1992, 276 credit unions were issued Letters of Understanding and Agreement. This was a decline from 1991 when 462 LUAs were issued to credit unions.

Enforcement actions in 1992 included final prohibition, cease and desist, and civil money penalty orders against each member of a board of directors that had violated a cease and desist order. NCUA also assessed civil money penalties against a credit union for failure to file required reports.

Cease and desist orders included one requiring a credit union to obtain an independent audit, and a temporary cease and desist order requiring a former credit union official not to dispose of certain personal assets.

NCUA also issued orders which prohibited individuals from further employment or involvement in a credit union or other financial institution without the express consent of the federal regulator. Prohibitions included—

- A member of a board of directors whose failure to properly supervise the credit union manager led to substantial losses for the credit union and the Share Insurance Fund;
- A broker whose actions led to substantial losses for two credit unions;
- A computer consultant charged with manipulating credit union accounts to her benefit;
- Two former credit union officers for obtaining unauthorized reimbursements and salaries;
- A former manager for embezzling funds by manipulating loan records, and
- A manager for concealing the credit union's true financial condition from the board and for filing false reports with NCUA.

★ NCUA SUES TO RECOVER LOSSES ★

Allan H. Meltzer
Associate General Counsel, Litigation and Liquidations

Lawsuits brought by NCUA to recover insurance losses and to prevent or recover losses for credit unions number in the hundreds at any time and sometimes require years of legal proceedings.

It is not surprising, however, that the biggest insurance losses produce the most lawsuits and the most sustained efforts to recover lost assets.

Large scale fraud was behind the biggest loss of recent years. Barnstable Community Federal Credit Union, Hyannis, Mass., ranks with the 1989 collapse of Frankin Community Credit Union, Omaha, and 1986 losses at HYFIN Credit Union, Brooklyn, both caused by massive fraud.

NCUA uncovered the Barnstable scheme in 1991 and in 1992 filed civil suit in federal court against five men for siphoning $47 million from Barnstable and Digital Employees' Federal Credit Union, Maynard, Mass. In September, a U.S. grand jury indicted four Barnstable insiders.

The indictment charges that the defendants created various real estate trusts to obtain multi-million dollar loans for purported real estate developments. The allegations include the use of fraudulent trust documents, false purchase and sale agreements, and bogus financial statements. Through litigation, NCUA will recover as much of the insurance losses from the Barnstable collapse as possible.

In the HYFIN case, the agency recovered an additional $2.7 million in 1992, bringing total recoveries since 1986 to over $30 million. In the Franklin case, suits are proceeding against two Omaha banks and two law firms for failure to exercise their fiduciary duties. HYFIN and Franklin still account for 16 ongoing lawsuits.

NCUA in 1992 also uncovered major losses due to fraud at Kasa Lithuanian Federal Credit Union, Brooklyn, where the former manager is now charged with 44 counts of fraud, and Central Valley Consumers Federal Credit Union, Fresno, Calif. NCUA is suing to recover some of the $9.7 million in losses at Kasa and $3.2 million in losses at Central Valley.

NCUA attempts to detect crime in credit unions before it causes serious damage to a credit union or causes an insurance loss. It offers cash awards for information resulting in substantial civil or criminal money penalties. And it maintains a toll-free "fraud hotline" for reporting suspected illegal activities. When prevention fails, however, NCUA uses litigation to recover assets to the greatest extent possible.

NCUA is also the defendant in an unsettled lawsuit brought by the American Bankers Association and five banks in North Carolina contending NCUA exceeded its authority by allowing an expansion of the credit union "common bond." The U.S. District Court dismissed the challenge in 1992, but the ABA group appealed and the U.S. Court of Appeals heard oral arguments in November. A ruling is expected in 1993.

★ BOARD ADOPTS FEW MAJOR RULES ★

Hattie M. Ulan
Associate General
Counsel, Operations

In its regulatory role, the NCUA Board took final action in 1992 on four major rules, acted on another just after the year ended, and proposed a rule to carry out the Truth in Savings Act.

In May, the Board approved a comprehensive revision of its corporate regulation which had been under consideration for two years. The long period of public debate and revision indicates the corporate system's increasing importance in the credit union community. (Please turn to page 10 for more details.)

In November, the Board adopted a rule to allow federal credit unions to pay the travel expenses of one immediate family member accompanying an official on credit union business. The Board believes the policy to be appropriate as long as safety and soundness standards are met.

Also in November, the Board amended the rule governing the Community Development Revolving Loan Program to make it more accessible to low-income credit unions. (Please turn to page 12 for more information.)

Another rule, adopted in December, requires credit unions to bring their loan loss accounts into conformity with generally accepted accounting principles (GAAP). Under the rule, credit unions must base their loan loss accounts on the risk inherent in their entire portfolio—not just on their troubled or classified loans. However, the rule allows credit unions to develop their own methods of estimating probable losses.

★ THE RULE ALLOWS CREDIT UNIONS TO DEVELOP THEIR OWN METHODS OF ESTIMATING PROBABLE LOSSES. ★

Also in 1992, the Board approved a rule which excludes long-term assets that reset or reprice annually from its current definition of risk assets for reserving purposes. These variable or adjustable-rate assets include both loans and investments.

Two Board actions affected credit union operations—one modified NCUA's annual operating fee assessment scale for federal credit unions. The Board added a third bracket to reduce the fee on credit union assets in excess of $1 billion. In addition, the Board required federally insured credit unions with assets in excess of $50 million to file quarterly call reports.

The 1991 Truth in Savings Act required NCUA to adopt a rule similar to the Federal Reserve Board's Regulation DD, although it authorized the agency to take "credit union uniqueness" into consideration. The proposed rule requires credit unions to calculate and fully disclose consistent information on the "annual percentage yield" and other terms and conditions of member accounts.

★ LEGISLATIVE YEAR ALMOST SERENE ★

After the flurry of banking legislation in recent years, 1992 seemed almost serene.

Robert E. Loftus
Director, Office of Public and Congressional Affairs

Congress attached most of the legislation affecting credit unions and NCUA to the Housing and Community Development Act of 1992 (PL 102-550). A two-year housing reauthorization bill, the legislation contained measures to curtail money-laundering and to study community development lending.

House and Senate conferees included money laundering in the compromise housing bill after nearly three years of bipartisan legislative effort. The Act gives NCUA the authority to revoke the charter of a federal credit union or terminate the insurance of a federally insured state credit union convicted of money laundering.

The housing bill also requires NCUA to participate in a study "comparing residential, small business, and commercial lending by insured depository institutions in low-income, minority, and distressed neighborhoods to such lending in other neighborhoods."

In response to the many disasters of 1992, including Hurricanes Andrew and Iniki and the Los Angeles riots, Congress passed the Depository Institutions Disaster Relief Act of 1992. This legislation authorizes NCUA to make exceptions to appraisal requirements in disaster areas. It also allows the Federal Reserve to make exceptions to the Truth in Lending Act and the Expedited Funds Availability Act after a disaster.

Throughout 1992, the House and Senate Judiciary Committees dealt with bankruptcy reform. Differing bills passed in the House (H.R. 6020) and Senate (S. 1985) and conferees hammered out a compromise bill. However, the legislative session ended before Congress could pass the final package.

The most dramatic legislative change in 1992 occurred during the November election and subsequent committee reshuffling—46 percent of the House and Senate Banking Committee members did not return—25 of 51 committee members in the House and eight of 21 members in the Senate. Also in the House, 13 members of the Ways and Means Committee and 19 members of the Appropriations Committee either did not return or moved to other committees. These members included many good friends of credit unions.

★ THE MOST DRAMATIC LEGISLATIVE CHANGE IN 1992 OCCURRED DURING THE NOVEMBER ELECTION AND SUBSEQUENT COMMITTEE RESHUFFLING. ★

In 1993, Congress undoubtedly will have to deal with some issues affecting credit unions that have been before it in the past. But with so many new committee members and a new president in the White House, NCUA and credit unions can expect some new legislative challenges in 1993 and years ahead.

★ NCUA TRAINING PROGRAM RECOGNIZED ★

D. Michael Riley
Director, Office
of Examination
and Insurance

Chairman Roger Jepsen's highest priority since 1985—the examiner training program—received recognition this year from the National Association of State Boards of Accountancy.

NASBA placed NCUA's training program on the National Registry of Continuing Professional Education Sponsors. It is the first state or federal financial regulatory agency ever to receive this designation.

Certification enables NCUA to award continuing professional education credits to those who attend its courses. CPAs are required to take advanced courses to maintain their professional memberships.

Staff training is only part of NCUA's first-class supervision program. To keep pace with the growing complexity of credit unions and changes in the laws and regulations which govern them, during 1992 NCUA staff—

- Conducted quality assurance reviews of each of its six regions to ensure consistent high quality work across the country;
- Reorganized its supervision of corporate credit unions;
- Revised its policies and procedures regarding community development credit unions (see page 12);
- Revised parts of its Rules and Regulations to improve credit union safety and soundness (see page 7);
- Reviewed and revised the automated core examination and CAMEL rating systems;
- Initiated an in-depth study of chartering and field-of-membership policies, and
- Participated in an ongoing review of the Credit Union Examiner's Guide.

★ NCUA IS THE FIRST STATE OR FEDERAL FINANCIAL REGULATORY AGENCY EVER TO RECEIVE THIS DESIGNATION. ★

Today, NCUA's examination and supervision program consists of—

- Annual on-site examinations of all federal credit unions,
- Insurance reviews and joint examinations of federally insured state-chartered credit unions,
- Data collection to permit continual monitoring of the financial condition of all federally insured credit unions,
- Financial performance reports to credit unions based on their semiannual or quarterly call reports, and
- Intensive supervision of troubled credit unions.

Quarterly financial reporting by the largest credit unions, begun in 1992, improved NCUA's monitoring of that segment of the industry. New business lending rules, real estate lending guidelines, a change in procedures establishing loan losses accounts, and limits on speculative investments also contributed to safety and soundness in 1992.

★ NCUA REVISES CORPORATE PROGRAM ★

Recognizing the growing importance of corporate credit unions, the NCUA Board in 1992 approved a major revision of its corporate rules and restructured its supervision of the corporate system. Corporates are financial services providers for other credit unions.

The NCUA Board acted on the corporate rule after two years of review and consultation. First proposed in March 1990, the rule was revised and reissued for public comment three times. The final rule expanded the investment powers of corporates and established reserving requirements similar to the Basel accord for the international banking system.

The expanded corporate investment powers include the authority to invest in asset-backed securities, foreign depository institutions, and corporate debt. It limited corporate borrowing authority to 10 times capital except with prior NCUA approval.

The new risk-weighted reserving system requires 8 percent minimum capital—4 percent primary capital (retained earnings and reserves) and 4 percent secondary capital. The rule addresses the corporate need for a stated long-term goal for building capital. And it requires higher risk weightings than required under current banking regulation.

★ THE RULE ADDRESSES THE CORPORATE NEED FOR A STATED LONG-TERM GOAL FOR BUILDING CAPITAL. ★

Today, NCUA insures 18 federal corporates and 17 state-chartered corporates with assets of $37.8 billion. Nine corporates with $5.5 billion in assets are not federally insured. However, federally insured retail credit unions can invest funds only in federally insured corporates or those that comply with NCUA's Rules and Regulations.

During 1992, corporate credit unions worked with NCUA examiners to build their capital ratios through improved earnings, better control of asset growth, and by changing the investment portfolio mix. All reached or will soon reach their capital targets.

NCUA also insures U.S. Central Credit Union, the wholesale financial services provider for other corporates. Capital for U.S. Central Credit Union is half that of the retail corporates because it limits its investment risk. Rating agencies give it a rating which only one U.S. bank can match.

NCUA's revised rule also permits corporates to join in participation loans, ensures corporate control by member credit unions, and protects against conflicts of interest.

To achieve greater consistency and efficiency in its own supervision of corporates, the Board in October moved this responsibility from the regional offices to the Office of Examination and Insurance. The work of the 11 corporate examiners in the field is coordinated by a corporate program staff of three in Washington.

★ NCUA, STATE SUPERVISORS COOPERATE ★

Cooperation between state and federal regulators, given high priority since 1985 by Chairman Roger W. Jepsen, continued in 1992 to contribute to the present health of the nation's credit unions.

Each year, NCUA hosts a three-day conference of state and federal supervisors in cooperation with the National Association of State Credit Union Supervisors. The meeting in March 1993 was its 15th anniversary.

It is at this meeting and others each year that NCUA and state regulators discuss ways to solve their mutual problems through cooperative action. NCUA's senior staff and regional directors meet regularly with the NASCUS board and consult frequently in less formal settings.

★ NCUA'S SENIOR STAFF AND REGIONAL DIRECTORS MEET REGULARLY WITH THE NASCUS BOARD AND CONSULT FREQUENTLY IN LESS FORMAL SETTINGS. ★

A Document of Cooperation first signed in 1982 and reviewed annually establishes the criteria for insurance reviews and joint examination of federally insured state-chartered credit unions. Risk is the basis for these on-site contacts. State supervisors and NCUA's regional directors develop mutually satisfactory procedures, including the joint supervision of troubled state credit unions.

State supervisors and NCUA together developed the core examination used by federal and most state examiners to ensure basic, common standards. A joint Examiner's Guide Committee wrote the Examiner's Guide now used by state and federal supervisors. When the core examination was automated, NCUA provided laptop computers to its own examiners and by lease to state examiners.

New technology and the growing complexity of credit unions also required extensive training. In 1986 in cooperation with NASCUS, NCUA inaugurated a training program open to both state and federal examiners. NCUA and NASCUS continually evaluate the training needs of state and federal personnel and augment and improve the program to meet those needs.

Some tension will always exist in the relations between state and federal regulators, but it is impressive to look back on this history of cooperation within the credit union community. The ongoing dialogue provides the means for the resolution of state-federal questions. This steady, long-term cooperation contributes significantly to the health of the nation's credit unions.

★ NEW CREDIT UNIONS SERVE THE POOR ★

Three credit unions serving the needs of low-income people and neighborhoods met the NCUA Board's chartering requirements in 1992 with the guidance of Board member Robert Swan.

South Central Los Angeles Community Federal Credit Union and Citizens Community Federal Credit Union of Omaha received charters in October. Central Brooklyn Federal Credit Union received its charter in January 1993.

Cooperation made the chartering of these credit unions possible—the cooperation of neighborhood organizations, other credit unions and their trade associations, local governments, benevolent individuals and institutions, and NCUA's regional offices. All have good prospects for success. They have able leadership, strong support systems, and reasonable goals and expectations.

Earlier in the year, the Board took steps to increase the number of credit unions serving low-income people. It launched a study of its regulations, chartering policies, staff training programs, and data collection.

In November, the Board also proposed a rule to ease participation in the Community Development Revolving Loan Program—a program which Congress created to serve low-income community credit unions. The proposed rule will increase the number of credit unions eligible to participate and to receive technical assistance.

★ THE PROPOSED RULE WILL INCREASE THE NUMBER OF CREDIT UNIONS ELIGIBLE TO PARTICIPATE AND TO RECEIVE TECHNICAL ASSISTANCE. ★

In 1992 in its third year under NCUA management, the $6 million Revolving Loan Fund made $1.4 million in loans to 13 credit unions. In 1992, its first full year of experience providing technical assistance, the fund allocated $120,000 for that purpose.

From 1990 through 1992, the program made 48 below-market loans to low-income credit unions. In 1992, the interest rate was lowered from 3 to 2 percent for new and outstanding loans. Since NCUA made its first loans in 1990, it has never had a delinquent borrower.

Urban and rural community groups and religious organizations sponsor most low-income credit unions. At midyear, 143 low-income community credit unions had combined assets of $245.4 billion—about 0.1 percent of the assets of all federally insured credit unions. Their average size is $1.8 million compared to $19.2 million for all credit unions. Delinquency rates, usually three times higher for CDCUs, declined 14 percent in 1992—from 6.3 to 5.5 percent.

In July, the Board established a select NCUA committee to oversee a pilot program for low-income credit unions. The committee conducted a series of hearings which indicated that the credit union community sees the need to use its combined resources and energies to develop and encourage these credit unions. NCUA is committed to active participation in this effort.

★ RECOVERIES DOUBLE IN ONE YEAR ★

NCUA recovered nearly $100 million during fiscal year 1992, almost double the recoveries of 1991, through the activities of its Asset Liquidation Management Center.

J. Leonard Skiles
President,
Asset Liquidation Management Center

ALMC is a centralized NCUA unit designed to assist in liquidations and to manage or dispose of assets acquired through liquidations, assisted mergers, or from troubled credit unions. It operates out of headquarters in Austin, Texas, and in 1992 opened a temporary office in Braintree, Mass.

Of the original book value of the real estate assets it acquired from failed or troubled credit unions, ALMC recovered 74 percent of value in 1992. But as a percent of the value established by ALMC at the time it acquired these assets, the return was 110 percent.

Despite the poor quality of the assets when ALMC receives them, it had 1992 recoveries of $99.5 million. These included—

- Consumer collections of $27.3 million,
- Bond recoveries of $13.8 million,
- Assets sold for $30.8 million,
- Principal paydowns of $2.1 million,
- Consumer loan sales of $12 million,
- Interest or rental income of $3.4 million, and
- Miscellaneous recoveries of $10.1 million.

★ AS A PERCENT OF THE VALUE ESTABLISHED BY ALMC AT THE TIME IT ACQUIRED THESE ASSETS, THE RETURN WAS 110 PERCENT. ★

ALMC assists regional staff in the liquidation of failed credit unions and in 1992 paid $185 million to the members of liquidated credit unions. The average payout time is 2.59 days.

Although the number of liquidation payouts declined from 40 in 1991 to 34 in 1992, the number of accounts increased 116 percent to a total of 68,000 accounts. Of the 34 payouts, 18 were liquidated New England credit unions which held $175 million in member accounts—95 percent of the total.

The number of assets managed by ALMC rose in 1992, but their value declined. At the end of the fiscal year on September 30, ALMC held 867 assets with a book value of $56.1 million compared to a year earlier when it had 773 assets with a book value of $90.8 million. It continues to manage 134 open liquidations and $100 million in consumer loans.

In its first bulk sale of real estate assets, ALMC in 1992 sold 98 loans acquired from Deseret Federal Credit Union, Las Vegas, for 73 percent of the principal balance. ALMC expects to repeat this success and to offer a package of loans each quarter.

★ INSURANCE FUND REMAINS HEALTHY ★

The National Credit Union Share Insurance Fund ended fiscal year 1992 with a fund balance of $2.56 billion and an equity ratio of 1.26 percent. In the three months remaining in calendar year 1992, the fund balance rose to $2.58 billion.

Insurance losses in 1992 of $112 million were well below 1991 losses of $163 million. Fiscal year 1992 saw 81 involuntary liquidations and 33 assisted mergers, a total of 114 compared to 130 in 1991. New England credit union failures accounted for about half of the 1992 total.

The 31 percent decrease in losses caused losses per $1,000 of insured shares to drop from 83 cents in 1991 to 51 cents in 1992. Average losses per thousand over the five-year period were 56 cents.

Under full accrual accounting, NCUSIF incurs insurance losses when loss reserves are established for high-risk credit unions. Actual expenditures are recorded as charges to the loss reserves. The fund started 1992 with reserves of $131 million and added another $112 million. With net charges of $123 million, it had net reserves of $120 million at year-end.

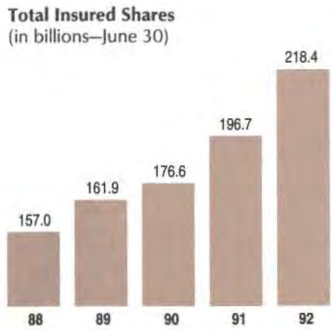
★ INSURANCE LOSSES IN 1992 OF $112 MILLION WERE WELL BELOW 1991 LOSSES OF $163 MILLION. ★

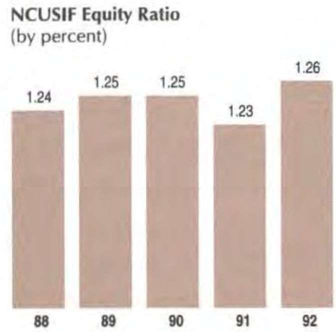
The Share Insurance Fund provides cash and non-cash financial assistance to insured credit unions as part of its overall risk management program.

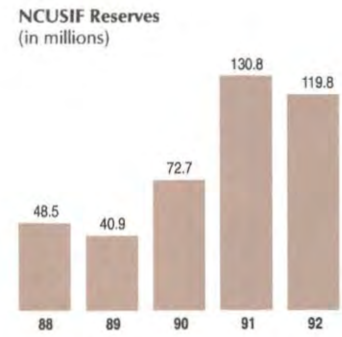
A capital guaranty account (non-cash assistance) allows a credit union with an earnings deficit to continue operating and paying dividends while it amortizes its negative net worth. The account is shown as deficit capital and clearly identified in financial statements. At year-end, 25 credit unions had guaranty accounts outstanding of $88 million, down from 51 credit unions and $179.6 million in 1991.

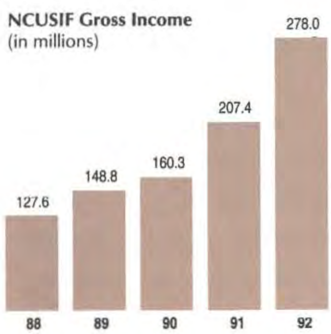
Loans or cash advances under Section 208 of the Federal Credit Union Act are usually interest-free, subordinated capital notes with specific repayment schedules. The cash infusion allows the credit union to acquire income-producing assets to offset non-earning assets or losses. Nine credit unions had outstanding advances of $101 million at fiscal year-end.

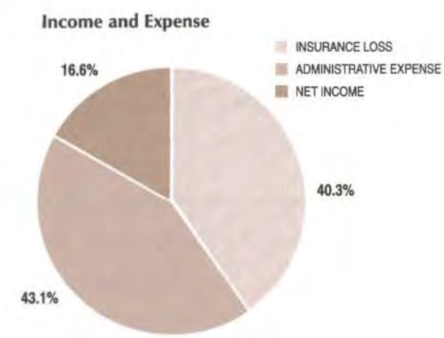
Of the 12,653 credit unions insured by the National Credit Union Share Insurance Fund, 7,916 are federal credit unions and 4,737 are state-chartered credit unions. These include 228 credit unions that converted to federal insurance in 1992.

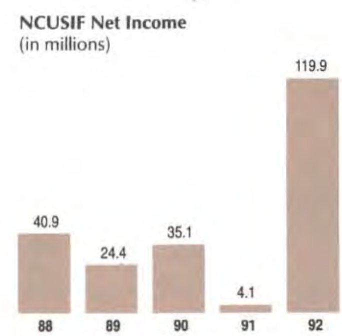

Total Insured Shares
(in billions—June 30)
157.0
161.9
176.6
196.7
218.4
88
89
90
91
92

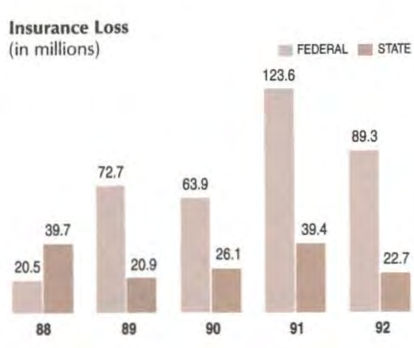

NCUSIF Equity Ratio
(by percent)
1.24
1.25
1.25
1.23
1.26
88
89
90
91
92

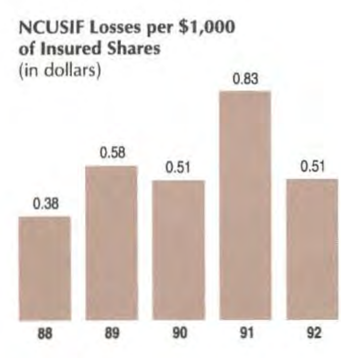

NCUSIF Reserves
(in millions)
48.5
40.9
72.7
130.8
119.8
88
89
90
91
92


NCUSIF Gross Income
(in millions)
127.6
148.8
160.3
207.4
278.0
88
89
90
91
92


Income and Expense
INSURANCE LOSS
ADMINISTRATIVE EXPENSE
NET INCOME
16.6%
40.3%
43.1%


NCUSIF Net Income
(in millions)
40.9
24.4
35.1
4.1
119.9
88
89
90
91
92


Insurance Loss
(in millions)
FEDERAL
STATE
20.5
39.7
72.7
20.9
63.9
26.1
123.6
39.4
89.3
22.7
88
89
90
91
92


NCUSIF Losses per $1,000
of Insured Shares
(in dollars)
0.38
0.58
0.51
0.83
0.51
88
89
90
91
92


Involuntary Liquidations
and Assisted Mergers
Number of Cases
85
114
164
130
114
88
89
90
91
92

★ CLF DIVIDEND WAS $19.6 MILLION ★

Ron Lewandowski
President, Central
Liquidity Facility

The Central Liquidity Facility, a source of short-term funds for the credit union system, paid 1992 dividends of $19.6 million to the credit unions who hold its capital stock.

At the end of fiscal year 1992, CLF had total assets of $560.6 million and, for the first time in its history, had no loans outstanding. Net earnings were down from $29.6 million in 1991 to $20.3 million in 1992—due to diminished loan income and lower returns in the investment market.

The NCUA Board added $719,000 to retained earnings, bringing the balance in the account to $10.3 million. Total equity at fiscal year-end was $550.3 million, of which $539.9 million was capital stock.

Member credit unions or their designated agents adjust their stock holdings in CLF annually as set forth in the Federal Credit Union Act. The increase during 1992 was $44.2 million.

★ AGENCY'S EXPENSES BELOW BUDGET ★

Herbert S. Yolles
Controller

Once again, NCUA had expenses below budget and revenue slightly in excess of expenses during fiscal year 1992, resulting in a continued strong, well-reserved financial condition.

Total operating expenses were 5.5 percent or about $4.8 million lower than our fiscal year 1992 operating budget of $87.3 million. This variance is slightly higher than normal—operating expenses for 10 years have averaged 4 percent below budget.

Delays in filling newly authorized examiner positions and vacant positions in the Washington office caused most of the budget variance. These vacancies and fewer insurance conversions than anticipated also significantly affected employee travel expense. Reductions in space rental and telecommunications costs saved about $1 million. However, higher administrative expenses, largely due to a greater number of employee relocations than anticipated, offset those savings.

Total Operating Fund revenue of $42.1 million exceeded operating expenses by $854,000 or 2 percent. This excess increased the fund's equity balance from $9.5 million to $10.3 million at year-end.

The National Credit Union Share Insurance Fund and NCUA's Operating Fund jointly fund NCUA's operating budget. Insurance-related operating expenses are allocated monthly to the Share Insurance Fund based on a transfer rate set annually. This rate represents the percentage of NCUA activities judged to be insurance-related. The transfer rate for fiscal year 1992, as in the previous seven years, was 50 percent.

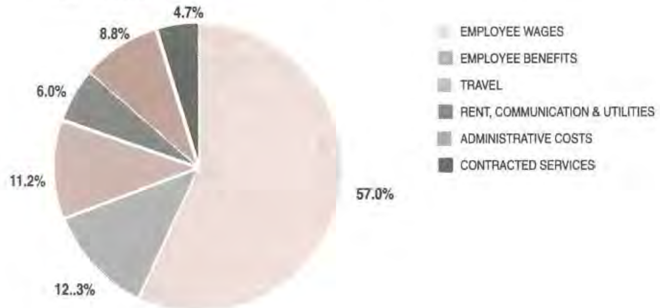
The NCUA Operating Fund is the accounting and financing vehicle for NCUA's functions other than the Central Liquidity Facility. Operating fees collected from federal credit unions are the fund's primary revenue source. Other revenue includes interest earned on short-term investments of cash, sales of publications, and miscellaneous sources.

The operating fee assessment calculation is based on the assets of individual credit unions as of June 30 of the previous year. Due to strong asset growth and little increase in NCUA's budget, no increase was required in the 1992 assessment scale.

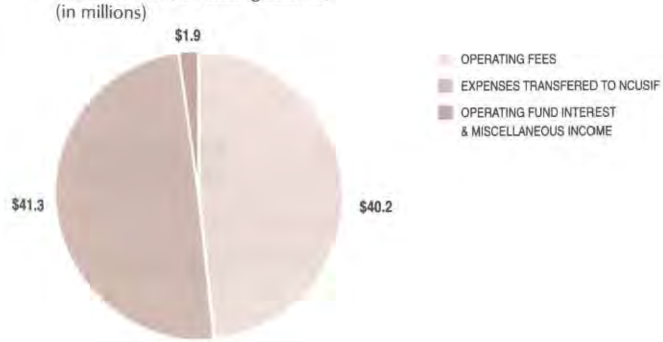
Construction in progress on a new headquarters building had a significant effect on the fund's balance sheet. Payments for construction of $11.2 million as of September 30 are reflected on the asset side of the balance sheet. On the liability side, about $10 million in notes payable to the Share Insurance Fund reflects the borrowing for the project. The total projected cost of $42 million will be shown as a capital asset. Beginning in 1994, the move will result in significant savings.

For the eighth consecutive year, the independent accountants rendered an unqualified opinion. The audit report and the comparative financial statements of the Operating Fund for 1991 and 1992 follow.

Where the Fiscal Year 1992 Budget Was Spent
(by percent)



Fiscal Year 1992 Funding Sources
(in millions)



OPERATING FUND REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

Report of Independent Accountants

To the Board of the National Credit Union Administration

In our opinion, the financial statements appearing on pages 18 through 21 of this report present fairly, in all material respects, the financial position of the National Credit Union Administration—Operating Fund at September 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the financial audit requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Price Waterhouse
Washington, DC
November 12, 1992

Operating Fund Balance Sheets

ASSETS	September 30, 1992	September 30, 1991
Cash and cash equivalents	$13,081,498	$14,722,081
Due from National Credit Union Share Insurance Fund (Note C)	1,599,704	1,662,690
Employee advances	256,358	331,797
Other accounts receivable	806,195	491,328
Prepaid expenses	381,949	262,791
Construction in progress	11,211,181	
Office building and land, net of accumulated depreciation of $195,031 and $148,397	2,181,476	2,228,110
Furniture and equipment, net of accumulated depreciation of $7,489,018 and $5,987,577	2,328,479	2,598,256
Leasehold improvements, net of accumulated amortization of $468,980 and $348,536	87,799	208,243
Employee residences held for resale	232,305	
Total assets	**$32,166,944**	**$22,505,296**

LIABILITIES AND FUND BALANCE	1992	1991
Accounts payable	$ 3,063,114	$ 2,951,600
Accrued wages and benefits	2,076,351	3,781,730
Accrued annual leave	3,965,629	3,611,811
Accrued employee travel	794,202	737,858
Note payable to National Credit Union Share Insurance Fund (Note C)	11,899,432	1,908,766
Total liabilities	**21,798,728**	**12,991,765**
Fund balance:		
Available for operations	6,226,408	6,387,688
Invested in fixed assets, net	4,141,808	3,125,843
Total fund balance	**10,368,216**	**9,513,531**
Commitments (Note D)		
Total liabilities and fund balance	**$32,166,944**	**$22,505,296**

The accompanying notes are an integral part of these financial statements.

Operating Fund Statements of Revenue, Expenses and Changes in Fund Balance

	Year Ended September 30,	
REVENUE	**1992**	**1991**
Operating fees	$40,242,614	$36,689,668
Interest	1,160,326	1,641,420
Other	722,147	955,320
Total revenue	**42,125,087**	**39,286,408**
EXPENSES (NOTE C)		
Employee wages and benefits	28,601,962	25,741,747
Travel	4,627,440	4,305,899
Rent, communications, and utilities	2,489,130	2,816,848
Contracted services	1,925,030	1,698,479
Other	3,626,840	3,361,514
Total administrative expenses	**41,270,402**	**37,924,487**
Excess of revenue over expenses	854,685	1,361,921
Fund balance at beginning of year	9,513,531	8,151,610
Fund balance at end of year	$10,368,216	$ 9,513,531

The accompanying notes are an integral part of these financial statements.

Operating Fund Statements of Cash Flows

	Year Ended September 30, 1992	1991
Cash flows from operating activities:		
Excess of revenue over expenses	$ 854,685	$ 1,361,921
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	1,668,515	1,882,672
Changes in operating assets and liabilities:		
Amounts due from National Credit Union Share Insurance Fund	62,986	(1,036,630)
Employee advances	75,439	(7,990)
Other accounts receivable	(314,867)	157,853
Prepaid expenses	(119,158)	(6,800)
Employee residences held for resale	(232,305)	
Accounts payable	111,514	903,749
Accrued wages and benefits	(1,705,379)	1,181,895
Accrued annual leave	353,818	585,592
Accrued employee travel	56,344	(25,467)
Net cash provided by operating activities	811,592	4,996,795
Cash flows from investing activities:		
Purchases of fixed assets	(1,231,660)	(1,119,012)
Construction in progress	(11,211,181)	
Net cash used in investing activities	(12,442,841)	(1,119,012)
Cash flows from financing activities:		
Repayments of note payable	(72,000)	(72,000)
Proceeds from note payable	10,062,666	
Net cash provided by (used in) financing activities	9,990,666	(72,000)
Net (decrease) increase in cash and cash equivalents	**(1,640,583)**	**3,805,783**
Cash and cash equivalents at beginning of year	**14,722,081**	**10,916,298**
Cash and cash equivalents at end of year	**$13,081,498**	**$14,722,081**

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 1992 AND 1991

Note A—Organization and Purpose

The National Credit Union Administration—Operating Fund (the Fund) was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration Board for the purpose of providing administration and service to the Federal Credit Union System.

Note B—Significant Accounting Policies

Cash Equivalents

The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. All investments in fiscal years 1992 and 1991 were cash equivalents and are stated at cost which approximates market. Cash equivalents are highly liquid investments with original maturities of three months or less.

Depreciation and Amortization

Building, furniture and equipment, and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the building and furniture and equipment and the shorter of the estimated useful life or lease term for leasehold improvements. Estimated useful lives are forty years for the building and three to ten years for the furniture and equipment and leasehold improvements. No depreciation is provided on constructiion in progress as the asset has not yet been placed into service. Interest costs related to the building are capitalized as incurred.

Operating Fees

The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding June 30. The fee is designed to cover the costs of providing administration and service to the Federal Credit Union System. The Fund recognizes operating fee revenue ratably over the fiscal year.

Income Taxes

The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

Note C—Transactions with the National Credit Union Share Insurance Fund (NCUSIF)

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board derived from an estimate of actual usage. The allocation factor was 50% to NCUSIF and the Fund in the years ended September 30, 1992 and 1991. The cost of the services allocated to NCUSIF, which totaled approximately $41,270,000 and $37,924,000 for the years ended September 30, 1992 and 1991, respectively, are reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In fiscal year 1988, the Fund entered into a $2,160,766 thirty-year unsecured term note with NCUSIF, for the purchase of a building. The note is being repaid in monthly principal installments of $6,000 with interest at a variable rate. The average interest rate during fiscal years 1992 and 1991 was approximately 6.77% and 7.96%, respectively. The total interest paid in fiscal years 1992 and 1991 was $127,344 and $155,083, respectively. The outstanding principal balance at September 30, 1992 and 1991 was $1,836.766 and $1,908,766, respectively. In fiscal 1992, the Fund entered into a commitment to borrow up to $41,975,000 in a thirty-year unsecured term note with NCUSIF. The monies are being drawn as needed to fund the costs of constructing a new building. Interest on monies drawn is paid monthly at a variable rate. The terms of repayment of the principal balance will become effective the month immediately following the occupancy of the building. The note will be repaid in 360 equal monthly installments plus interest at a variable rate. The average interest rate during fiscal 1992 was approximately 6.77% and interest paid and capitalized during fiscal 1992 totaled $375,637. The note payable balance at September 30, 1992 was $10,062,666.

The variable rate on both term notes is equal to NCUSIF's prior month yield on investments.

Note D—Commitments

The Fund leases office space under lease agreements which expire through 1998. Office rental charges amounted to approximately $3,095,000 and $2,597,000 of which approximately $1,548,000 and $1,478,000 was reimbursed by NCUSIF for the years ended September 30, 1992 and 1991, respectively. In addition, the Fund leases office equipment under operating leases with lease terms less than one year.

The future minimum lease payments as of September 30, 1992, are as follows:

1993	2,229,523
1994	1,747,742
1995	517,822
1996	202,934
1997 and thereafter	405,869
	$5,103,890

Based on the allocation factor approved by the NCUA Board for fiscal year 1992, NCUSIF will reimburse the Fund for approximately 50% of the future lease payments.

Note E—Retirement Plan

The employees of the Fund are participants in the Civil Service Retirement and Disability Fund (CSRDF) which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit retirement plans covering all of the employees of the Fund. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan and a Savings Plan. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plans employees can also elect additional contributions between 1% and 10% of their gross pay and the Fund will match up to 5% of the employees' gross pay. The Fund's contributions to the plans were approximately $5,349,000 and $4,585,000 of which $2,675,000 and $2,292,000 was reimbursed by NCUSIF for the years ended September 30, 1992 and 1991, respectively.

The Fund does not account for the assets of the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the CSRDF and are not allocated to individual employers.

FEDERAL CREDIT UNIONS

Consolidated Balance Sheet
December 31 (in thousands)

	1991	1992	Percentage Change
ASSETS			
Cash	$ 3,270,861	$ 3,937,812	20.4%
Loans outstanding	84,150,334	87,632,808	4.1
Allowance for loan losses	-1,061,558	-1,200,103	13.1
U.S. Gov/Fed Agency Securities	17,773,526	26,734,748	50.4
Commercial banks	8,232,297	8,738,646	6.2
S&Ls and mutual savings banks	6,607,150	6,250,463	-5.4
Corporate credit unions	16,646,093	20,484,618	23.1
Mutual funds	1,857,812	2,811,662	51.3
NCUSIF capitalization deposit	1,147,221	1,252,461	9.2
Other investments	1,190,580	1,461,945	22.8
Total investments	**53,454,679**	**67,734,543**	**26.7**
Allowance for investment losses	-31,103	-37,991	22.1
Land and building (net of depreciation)	1,784,743	1,891,707	5.4
Other fixed assets	665,321	681,171	2.4
Other assets	1,706,227	1,903,712	11.6
Total assets	**$143,939,504**	**$162,543,659**	**12.9**
LIABILITIES			
Notes payable	1,420,431	2,101,178	47.9
Dividends payable	672,430	517,947	-23.0
Accounts payable and other liabilities	805,446	877,266	8.9
Total liabilities	**2,898,307**	**3,496,391**	**20.6**
EQUITY/SAVINGS			
Regular shares	59,431,457	74,442,779	25.3
Share certificates	24,491,115	19,656,485	-19.7
IRA/Keogh accounts	19,623,943	20,127,938	2.6
Share drafts	13,151,354	15,938,713	21.2
All other shares	13,465,880	15,912,487	18.2
Total savings	**130,163,749**	**146,078,403**	**12.2**
Regular reserves	4,153,663	4,525,113	8.9
Other reserves	1,385,528	1,651,153	19.2
Undivided earnings	5,338,256	6,792,599	27.2
Total equity/savings	**141,041,196**	**159,047,268**	**12.8**
Total liabilities/equity	**$143,939,504**	**$162,543,659**	**12.9**

1991 data has been revised to reflect the 1991 year end statistics for federally insured credit unions

Note: Because of rounding, detail may not add to totals

Consolidated Income and Expense Statement
December 31 (in thousands)

	1991	1992	Percentage Change
INCOME			
Interest on loans	$ 9,351,481	$ 8,965,715	-4.1%
Less: Interest refund	8,644	15,318	77.2
Income from investments	3,308,746	3,295,777	-91.1
Other operating income	907,052	1,054,599	16.3
Total gross income	**13,558,636**	**13,300,772**	**-1.9**
EXPENSES			
Employee compensation and benefits	2,125,385	2,319,290	9.1
Travel and conference expenses	67,547	69,795	3.3
Office occupancy	274,754	293,796	6.9
Office operations expense	968,704	1,050,591	8.5
Educational and promotional	106,057	114,718	8.2
Loan servicing expense	151,713	175,586	15.7
Professional and outside services	341,729	396,665	16.1
Provision for loan losses	679,186	574,345	-15.4
Provision for investment losses	4,377	10,094	130.6
Member insurance	169,654	161,136	-5.0
Operating fees	47,026	51,032	8.5
Miscellaneous operating expenses	132,261	138,976	5.1
Total operating expenses	**5,068,392**	**5,329,023**	**5.1**
NON-OPERATING GAINS OR LOSSES			
Gain (loss) on investments	22,402	41,899	87.0
Gain (loss) on disposition of assets	-8,124	1,885	-123.2
Other non-operating income (expense)	5,766	15,441	167.8
Total income (loss) before cost of funds	**$ 8,510,287**	**$ 8,030,974**	**-5.6**
COST OF FUNDS			
Interest on borrowed money	$ 70,041	$ 66,870	-4.5
Dividends	7,183,793	5,876,201	-18.2
Net transfer to statutory reserves	**$ 169,533**	**$ 191,162**	**12.8**
Net income (loss) after costs of funds and net reserve transfers	**$ 1,086,921**	**$ 1,896,741**	**74.5**

1991 data revised to reflect the 1991 year-end statistics for federally insured credit unions

Note: Because of rounding, detail may not add to totals

Federal Credit Unions by State
December 31

	Number FCUs 1992	Assets (in millions) 1992	Assets (in millions) 1991	Percent Change 1991 to 1992
Alabama	116	$ 2,304	$ 1,992	15.7%
Alaska	16	1,624	1,454	11.7
Arizona	46	2,287	2,038	12.3
Arkansas	91	705	596	18.3
California	604	25,838	23,269	11.5
Colorado	117	2,900	2,663	8.9
Connecticut	173	2,779	2,615	6.3
Delaware	52	642	583	10.1
District of Columbia	93	2,321	2,238	3.7
Florida	177	9,271	7,877	17.8
Georgia	179	2,531	2,277	11.2
Guam	3	132	101	30.7
Hawaii	120	3,264	2,881	13.3
Idaho	40	645	579	11.4
Illinois	213	2,651	2,347	13.0
Indiana	256	5,212	4,662	11.9
Iowa	5	53	47	12.8
Kansas	40	457	426	7.3
Kentucky	100	1,373	1,220	12.6
Louisiana	260	2,388	2,167	10.2
Maine	94	1,476	1,390	6.2
Maryland	149	4,530	3,806	19.0
Massachusetts	215	3,674	3,742	-1.8
Michigan	205	5,099	4,586	13.4
Minnesota	62	2,359	1,973	19.6
Mississippi	107	882	790	11.6
Missouri	20	206	191	7.9

Note: Because of rounding, detail may not add to totals

Number of Federal Credit Unions by Asset Size
December 31

Asset Size	Number of FCUs	Percentage of Total	Cumulative Percentage
Less than $50 thousand	74	0.9%	0.9%
$50 to $100 thousand	120	1.5	2.5
$100 to $250 thousand	355	4.5	6.9
$250 to $500 thousand	536	6.8	13.7
$500 thousand to $1 million	775	9.8	23.5
$1 million to $2 million	1,009	12.7	36.2
$2 million to $5 million	1,582	20.0	56.2
$5 million to $10 million	1,149	14.5	70.7
$10 million to $20 million	888	11.2	82.0
$20 million to $50 million	782	9.9	91.8
$50 million to $100 million	317	4.0	95.8
$100 million and over	329	4.2	100.0
Total	**7,916**		

Federal Credit Unions by State
December 31 (continued)

	Number FCUs 1992	Assets (in millions) 1992	Assets (in millions) 1991	Percent Change 1991 to 1992
Montana	78	$ 705	$ 626	12.6%
Nebraska	67	812	745	9.0
Nevada	25	989	898	10.1
New Hampshire	14	591	551	7.3
New Jersey	368	4,228	3,808	11.1
New Mexico	38	1,296	1,163	11.4
New York	742	12,246	11,364	8.6
North Carolina	83	2,346	1,790	31.1
North Dakota	23	94	87	8.0
Ohio	413	3,875	3,473	11.6
Oklahoma	79	1,242	1,140	8.9
Oregon	115	1,824	1,600	14.0
Pennsylvania	895	7,787	6,888	13.2
Puerto Rico	31	221	202	9.4
Rhode Island	14	27	18	50.0
South Carolina	87	2,272	2,072	9.7
South Dakota	68	500	454	10.1
Tennessee	120	2,353	2,166	8.6
Texas	561	13,221	11,464	16.2
Utah	48	481	460	4.6
Vermont	7	202	184	9.8
Virgin Islands	5	17	15	13.3
Virginia	199	12,745	10,612	21.0
Washington	104	2,727	2,241	21.7
West Virginia	138	1,024	885	15.7
Wisconsin	2	199	189	5.8
Wyoming	39	373	332	12.3
Total	**7,916**	**$162,544**	**$143,940**	**12.9%**

Note: Because of rounding, detail may not add to totals

Federal Credit Unions by Asset Size
December 31

Asset Size	Assets (in thousands)	Percentage of Total	Cumulative Percentage
Less than $50 thousand	$ 2,038	0.0%	0.0%
$50 to $100 thousand	8,944	0.0	0.0
$100 to $250 thousand	62,405	0.0	0.0
$250 to $500 thousand	196,160	0.1	0.2
$500 thousand to $1 million	570,973	0.4	0.5
$1 million to $2 million	1,474,676	0.9	1.4
$2 million to $5 million	5,175,232	3.2	4.6
$5 million to $10 million	8,789,434	5.4	10.0
$10 million to $20 million	12,716,599	7.8	17.8
$20 million to $50 million	24,580,626	15.1	33.0
$50 million to $100 million	22,055,379	13.6	46.5
$100 million and over	86,911,193	53.5	100.0
Total	**$162,543,659**		

Loans Outstanding
December 31 (in millions)

	1988	1989	1990	1991	1992
Loans outstanding	$73,766	$80,272	$83,029	$84,150	$87,633
Allowance for loan losses	542	643	784	1,062	1,200
Regular reserves	3,163	3,538	3,890	4,154	4,525
Amount of delinquent loans	1,326	1,417	1,432	1,354	1,138
Loans charged off	522	612	653	679	665
Recoveries on loans	81	86	101	108	123
Provision for loan losses	489	589	671	679	574
SIGNIFICANT RATIOS (as a percentage of loans outstanding)					
Alllowance for loan losses	0.73%	0.80%	0.94%	1.26%	1.37%
Regular reserves	4.29	4.41	4.69	4.94	5.16
Delinquent loans	1.80	1.77	1.73	1.61	1.30
Loans charged off	0.71	0.76	0.79	0.81	0.76
Net loans charged off	0.60	0.66	0.67	0.68	0.62
Provision for loan losses	0.66	0.73	0.81	0.81	0.66

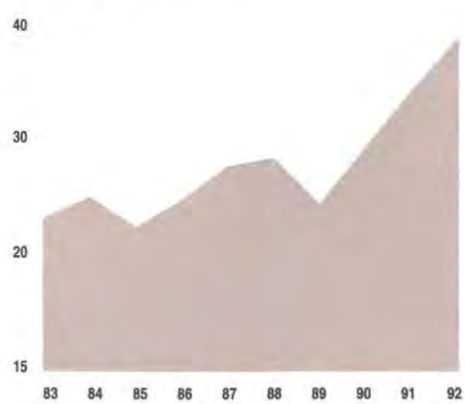
Percentage Distribution of Savings by Type of Account
December 31 (in millions)

Type of Account	1988	1989	1990	1991	1992
Regular shares	68.1%	63.2%	62.4%	66.1%	72.7%
Share drafts	9.7	10.0	10.0	10.1	10.9
Other regular shares	58.4	53.2	52.4	56.0	61.8
Share certificates	31.9	36.8	37.6	33.9	27.3
IRA and Keogh	14.2	14.6	15.0	15.1	13.8
Other certificates	17.7	22.2	22.6	18.8	13.5
Total savings	**$104,431**	**$109,653**	**$117,881**	**$130,164**	**$146,078**

Annual Growth Rates in Reserves and Undivided Earnings

	1988	1989	1990	1991	1992
Total reserves	15.3%	12.6%	11.3%	11.6%	18.9%
Regular reserve	14.4	11.9	10.0	6.9	8.6
Other reserves	9.5	9.5	10.0	9.4	18.8
Undivided earnings	18.0	14.2	12.8	16.3	27.1

Long Term Investments as a Percentage of Total Investments
(by percent)



Total Investments
December 31 (in millions)

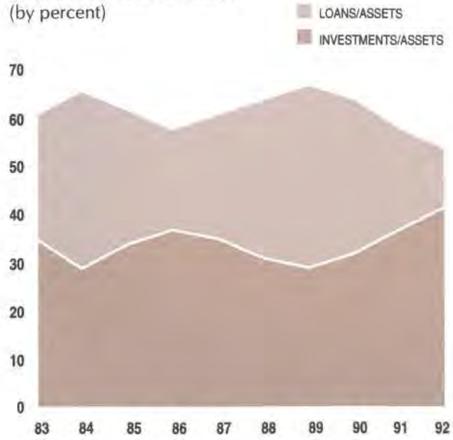
	1988	1989	1990	1991	1992
U.S. government obligations	$ 4,123	$ 3,138	$ 3,912	$ 6,080	$ 9,002
Federal agency securities	6,840	6,737	7,842	11,694	17,732
Mutual funds	949	800	902	1,858	2,812
Deposits in commercial banks	3,394	5,787	7,152	8,232	8,739
Deposits in S&Ls and savings banks	9,744	7,111	6,335	6,607	6,250
Shares/deposits in corporate CUs	6,798	9,342	13,369	16,646	20,485
NCUSIF capitalization deposits	948	1,000	1,048	1,147	1,252
Investments in other CUs	267	225	165	284	296
Other investments[1]	2,549	535	499	906	1,166
Allowance for investment losses	-58	-38	-38	-31	-38
Total investments	**$35,554**	**$34,636**	**$41,186**	**$53,423**	**$67,696**

PERCENTAGE BREAKDOWN PER YEAR

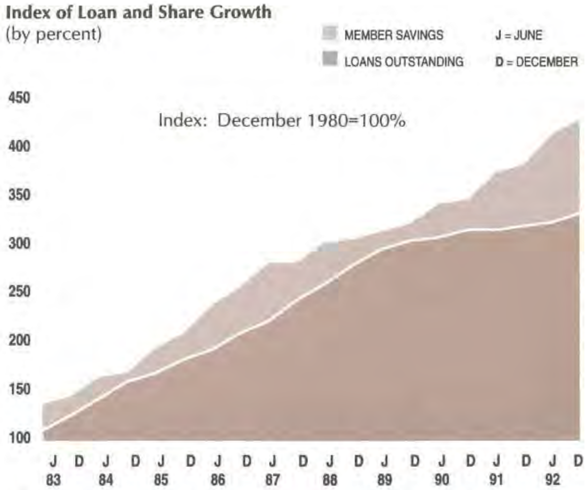
	1988	1989	1990	1991	1992
U.S. government obligations	11.6%	9.1%	9.5%	11.4%	13.3%
Federal agency securities	19.2	19.5	19.0	21.9	26.2
Mutual funds	2.7	2.3	2.2	3.5	4.2
Deposits in commercial banks	9.5	16.7	17.4	15.4	12.9
Deposits in S&Ls and savings banks	27.4	220.5	15.4	12.4	9.2
Shares/deposits in corporate CUs	19.1	27.0	32.5	31.1	30.2
Share insurance/other capital deposits	2.7	2.9	2.5	2.1	1.8
Investments in other CUs	0.8	0.6	0.4	0.5	0.4
Other investments[1]	7.2	1.5	1.2	1.7	1.7
Total Investments	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1]Includes loans to other credit unions, shares in the Central Liquidity Facility and other investments.
1988 figures include all federal funds.

Loan and Investment Ratios
(by percent)



Index of Loan and Share Growth
(by percent)



CAMEL Rating System
December 31, Number by Categories

EWS/CAMEL Category	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	Change
Codes 1 and 2	7,365	7,425	7,250	6,536	5,800	5,649	5,551	5,170	4,553	4,582	29
Code 3	2,855	2,623	2,460	2,734	3,063	2,919	2,857	2,953	3,266	2,945	-321
Code 4	646	451	375	440	486	480	386	367	381	380	-1
Code 5	97	48	40	48	52	70	27	21	29	9	-20
Total	**10,963**	**10,547**	**10,125**	**9,758**	**9,401**	**9,118**	**8,821**	**8,511**	**8,229**	**7,916**	**-313**

EWS (Early Warning System) replaced by CAMEL Rating System in 1987.

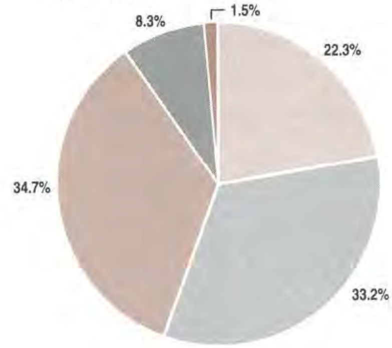
Federal Credit Unions Experiencing Losses
December 31

Year	Number of Federal Credit Unions	Number Experiencing Losses	Percentage of Total	Negative Earnings (in thousands)
1983	10,963	2,443	22.3%	$ 45,434
1984	10,547	1,041	9.9	18,555
1985	10,125	1,178	11.6	31,604
1986	9,758	1,360	13.9	43,805
1987	9,401	1,481	15.8	71,410
1988	9,118	1,074	11.8	78,212
1989	8,821	1,008	11.4	126,383
1990	8,511	1,043	12.3	169,260
1991	8,229	903	11.0	143,501
1992	7,916	550	7.0	39,789

Federal Credit Unions Experiencing Losses by Asset Size
December 31

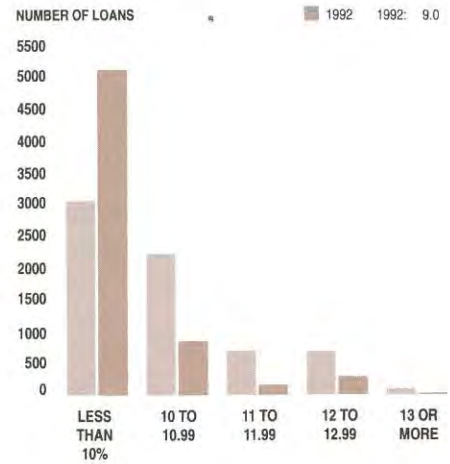
Asset Size	Number of FCUs	Assets	1992 Losses	Reserves and Undivided Earnings
Less than $1 million	279	$ 105,650,062	$ 2,246,861	$ 11,690,314
$1 million to $2 million	74	104,678,579	1,189,568	7,735,932
$2 million to $5 million	91	286,146,666	2,963,820	20,450,377
$5 million to $10 million	57	410,034,263	4,410,551	20,193,006
$10 million to $20 million	29	382,800,139	11,559,481	16,547,865
$20 million to $50 million	13	450,055,803	7,260,188	24,038,790
$50 million and over	7	1,193,478,005	12,181,118	51,425,368
Total	**550**	**$2,932,843,517**	**$39,789,407**	**$152,081,652**

Loan Distribution
(in millions)

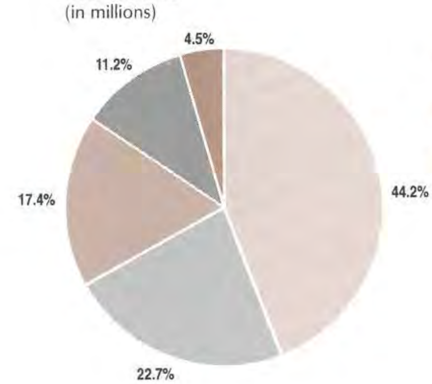


UNSECURED	$19,501
AUTO LOANS	29,125
REAL ESTATE	30,831
OTHER LOANS TO MEMBERS	7,927
MISCELLANEOUS:	
AGRICULTURAL	52
COMMERCIAL	1,040
NONMEMBER LOANS	249

Distribution of Interest Rates
New Car Loans

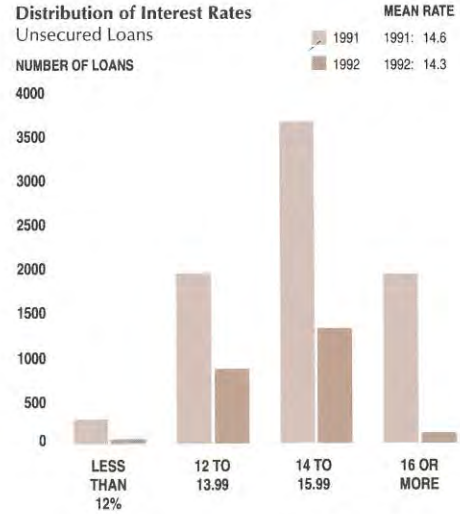


Uses of Funds
(in millions)

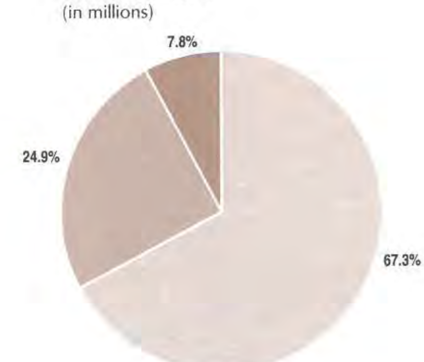


DIVIDENDS	$5,876
GENERAL & ADMINISTRATIVE	3,010
SALARIES/BENEFITS	2,319
RETAINED EARNINGS	1,492
TRANSFERS TO REGULAR AND OTHER RESERVES	595

Distribution of Interest Rates
Unsecured Loans

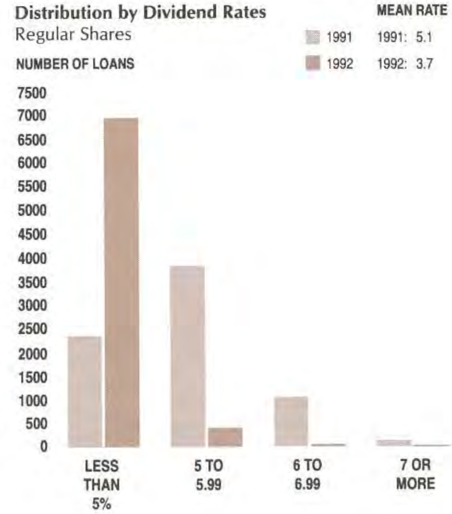


Sources of Income
(in millions)



LOANS	$8,951
INVESTMENTS	3,308
OTHER	1,042

Distribution by Dividend Rates
Regular Shares



Historical Data for Federal Credit Unions
December 31, 1935 to 1969

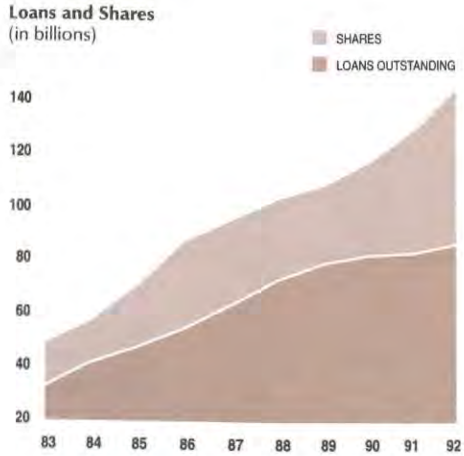
Year	Charters Issued	Charters Canceled	Net Change	Total Outstanding	Inactive Credit Unions	Active Credit Unions	Members	Assets[1] (amounts in thousands of dollars)	Shares[1] (amounts in thousands of dollars)	Loans Outstanding (amounts in thousands of dollars)
1935[1]	828		828	906	134	772	119,420	$ 2,372	$ 2,228	$ 1,834
1936	956	4	952	1,858	107	1,751	309,700	9,158	8,511	7,344
1937	638	69	569	2,427	114	22,313	483,920	19,265	17,650	15,695
1938	515	83	432	2,859	99	2,760	632,050	29,629	26,876	23,830
1939	529	93	436	3,295	113	3,182	850,770	47,811	43,327	37,673
1940	666	76	590	3,855	129	3,756	1,127,940	72,530	65,806	55,818
1941	583	89	494	4,379	151	4,228	1,408,880	106,052	97,209	69,485
1942	187	89	98	4,477	332	4,145	1,356,940	119,591	109,822	43,053
1943	108	321	213	4,264	326	3,938	1,311,620	127,329	117,339	35,376
1944	69	285	216	4,048	233	3,815	1,306,000	144,365	133,677	34,438
1945	96	185	89	3,959	202	3,757	1,216,625	153,103	140,614	35,155
1946	157	151	6	3,965	204	3,761	1,302,132	173,166	159,718	56,801
1947	207	159	48	4,013	168	3,845	1,445,915	210,376	192,410	91,372
1948	341	130	211	4,224	166	4,058	1,628,339	258,412	235,008	137,642
1949	523	101	422	4,646	151	4,495	1,819,606	316,363	285,001	186,218
1950	565	83	482	5,128	144	4,984	2,126,823	405,835	361,925	263,736
1951	533	75	458	5,586	188	5,398	2,463,898	504,715	457,402	299,756
1952	692	115	577	6,163	238	5,925	2,853,241	662,409	597,374	415,062
1953	825	132	693	6,856	278	6,578	3,255,422	854,232	767,571	573,974
1954	852	122	730	7,586	359	7,227	3,598,790	1,033,179	931,407	681,970
1955	777	188	589	8,175	369	7,806	4,032,220	1,267,427	1,135,165	863,042
1956	741	182	559	8,734	384	8,350	4,502,210	1,529,202	1,366,258	1,049,189
1957	662	194	468	9,202	467	8,735	4,897,689	1,788,768	1,589,191	1,257,319
1958	586	255	331	9,533	503	9,030	5,209,912	2,034,866	1,812,017	1,379,724
1959	700	270	430	9,963	516	9,447	5,643,248	2,352,813	2,075,055	1,666,526
1960	685	274	411	10,374	469	9,905	6,087,378	2,669,734	2,344,337	2,021,463
1961	671	265	406	10,780	509	10,271	6,542,603	3,028,294	2,673,488	2,245,223
1962	601	284	317	11,097	465	10,632	7,007,630	3,429,805	3,020,274	2,560,722
1963	622	312	310	11,407	452	10,955	7,499,747	3,916,541	3,452,615	2,911,159
1964	580	323	257	11,664	386	11,278	8,092,030	4,559,438	4,017,393	3,349,068
1965	584	270	324	11,978	435	11,543	8,640,560	5,165,807	4,538,461	3,864,809
1966	701	318	383	12,361	420	11,941	9,271,967	5,668,941	4,944,033	4,323,943
1967	636	292	344	12,705	495	12,210	9,873,777	6,208,158	5,420,633	4,677,480
1968	662	345	317	13,022	438	12,584	10,508,504	6,902,175	5,986,181	5,398,052
1969	705	323	382	13,404	483	12,921	11,301,805	7,793,573	6,713,385	6,328,720

[1]Data for 1935-44 are partly estimated.

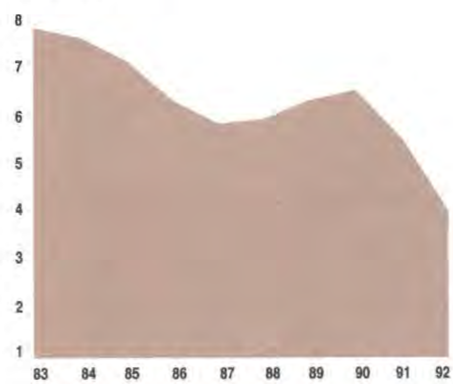
Historical Data for Federal Credit Unions
December 31, 1970 to 1992

Year	Charters Issued	Charters Canceled	Net Change	Total Outstanding	Inactive Credit Unions	Active Credit Unions	Members	Assets	Shares	Loans Outstanding
1970	563	412	151	13,555	578	12,977	11,966,181	$ 8,860,612	$ 7,628,805	$ 6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,533,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974	367	369	-2	12,972	224	12,748	15,870,434	16,714,673	14,370,744	12,729,653
1975	373	334	39	13,011	274	12,737	17,066,428	20,208,536	17,529,823	14,868,840
1976	354	387	-33	12,978	221	12,757	18,623,862	24,395,896	21,130,293	18,311,204
1977	337	315	22	13,000	250	12,750	20,426,661	29,563,681	25,576,017	22,633,860
1978	348	298	50	13,050	291	12,759	23,259,284	34,760,098	29,802,504	27,686,584
1979	286	336	-50	13,000	262	12,738	24,789,647	36,467,850	31,831,400	28,547,097
1980	170	368	-198	12,802	362	12,440	24,519,087	40,091,855	36,263,343	26,350,277
1981	119	554	-435	12,367	398	11,969	25,459,059	41,905,413	37,788,699	27,203,672
1982	114	556	-442	11,925	294	11,631	26,114,649	45,482,943	41,340,911	28,184,280
1983	107	736	-629	11,296	320	10,976	26,798,799	54,481,827	49,889,313	33,200,715
1984	135	664	-529	10,767	219	10,548	28,191,922	63,656,321	57,929,124	42,133,018
1985	55	575	-520	10,247	122	10,125	29,578,808	78,187,651	71,616,202	48,240,770
1986	59	441	-382	9,865	107	9,758	31,041,142	95,483,828	87,953,642	55,304,682
1987	41	460	-419	9,446	45	9,401	32,066,542	105,189,725	96,346,488	64,104,411
1988	45	201	-156	9,290	172	9,118	34,438,304	114,564,579	104,431,487	73,766,200
1989	23	307	-284	9,006	185	8,821	35,612,317	120,666,414	109,652,600	80,272,306
1990	33	410	-377	8,629	118	8,511	36,241,607	130,072,955	117,891,940	83,029,348
1991	14	291	-277	8,352	123	8,229	37,080,854	143,939,504	130,163,749	84,150,334
1992	33	341	-308	8,044	128	7,916	38,205,128	162,543,659	146,078,403	87,632,808

Loans and Shares
(in billions)



Effective Cost of Shares
(by percent)



FEDERAL CREDIT UNIONS

Federal Credit Union Data 10 Year Summary, 1983 to 1992

December 31 (dollar amounts in millions)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Number of credit unions	10,976	10,548	10,125	9,758	9,401	9,118	8,821	8,511	8,229	7,916
Number of members	26,798,799	28,191,922	29,578,808	31,041,142	32,066,542	34,438,304	35,612,317	36,241,607	37,080,854	38,205,128
Assets	$54,482	$63,656	$78,188	$95,484	$105,190	$114,565	$120,666	$130,073	$143,940	$162,544
Loans outstanding	33,201	42,133	48,241	55,305	64,104	73,766	80,272	83,029	84,150	87,633
Shares	49,891	57,929	71,616	87,954	96,346	104,431	109,653	117,892	130,164	146,078
Reserves[1]	2,889	2,541	2,884	3,312	3,725	4,216	4,690	5,158	5,539	6,176
Undivided earnings	1,281	1,592	2,063	2,506	3,023	3,567	4,072	4,594	5,338	6,793
Gross income	6,064	7,454	8,526	9,416	10,158	11,173	12,420	13,233	13,559	13,301
Operating expenses	2,045	2,314	2,674	3,115	3,585	3,931	4,364	4,730	5,068	5,329
Dividends	3,573	4,413	5,090	5,506	5,624	6,148	6,910	7,372	7,184	5,876
Reserve transfers	166	260	282	250	237	232	265	222	170	191
Net income	287	473	521	626	688	799	781	841	1,087	1,897

PERCENT CHANGE

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Total assets	19.8%	16.8%	22.8%	22.1%	10.2%	8.9%	5.3%	7.8%	10.7%	12.9%
Loans outstanding	17.8	26.9	14.5	14.6	15.9	15.1	8.8	3.4	1.3	4.1
Savings	20.6	16.1	23.6	22.8	9.5	8.4	5.0	7.5	10.4	12.2
Reserves	13.2	22.1	17.7	14.8	12.5	13.2	11.2	10.0	7.4	11.5
Undivided earnings	14.6	24.3	29.6	21.5	20.6	18.0	14.2	12.8	16.2	27.3
Gross income	12.2	22.9	14.4	10.4	7.9	10.0	11.2	6.5	2.5	-1.9
Operating expenses	12.2	13.2	15.6	16.5	15.1	9.7	11.0	8.4	7.1	5.1
Dividends	12.2	23.5	15.3	8.2	2.1	9.3	12.4	6.7	-2.6	-18.2
Net reserve transfers	12.9	56.6	8.5	-11.3	-5.2	-2.1	14.2	-16.1	-23.8	12.7
Net income	17.6	64.8	10.1	20.2	9.9	16.1	-2.3	7.6	29.3	74.5

SIGNIFICANT RATIOS

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Reserves to assets	3.7%	3.9%	3.7%	3.5%	3.5%	3.7%	3.9%	4.0%	3.8%	3.8%
Reserves and undivided earnings to assets	6.0	6.4	6.3	6.1	6.4	6.8	7.3	7.5	7.6	8.0
Reserves to loans	6.0	5.8	6.0	6.1	5.8	5.7	5.8	6.2	6.6	7.0
Loans to shares	66.5	72.7	67.4	62.9	66.5	70.6	73.2	70.4	64.6	60.0
Operating expenses to gross income	33.7	31.0	31.4	33.1	35.3	35.2	35.1	35.7	37.4	40.1
Salaries and benefits to gross income	14.4	13.6	13.6	14.1	14.6	14.8	14.7	15.0	15.7	17.4
Dividends to gross income	58.9	59.2	59.7	58.5	55.4	55.0	55.6	55.7	53.0	44.2
Yield on average assets	12.1	11.7	12.0	10.8	10.1	10.2	10.6	10.6	9.9	8.7
Cost of funds to average assets	7.1	7.0	7.2	6.4	5.6	5.7	6.0	5.9	5.3	3.9
Gross spread	5.0	4.7	4.8	4.5	4.5	4.5	4.6	4.6	4.6	4.8
Net income divided by gross income	4.7	6.3	6.1	6.6	6.8	7.2	6.3	6.4	8.0	14.3
Yield on average loans	13.7	12.4	13.5	12.7	11.6	11.3	11.5	11.4	11.2	10.4
Yield on average investments	10.2	11.0	9.5	7.9	7.7	7.9	8.4	8.3	7.0	5.5

[1]Does not include the allowance for loan losses

STATE CREDIT UNIONS

Federally Insured State Credit Union Data 10 Year Summary, 1983 to 1992

December 31 (dollar amounts in millions)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Number of credit unions	4,915	4,645	4,920	4,935	4,934	4,760	4,552	4,349	4,731	4,737
Number of members	14,277,816	15,205,029	15,689,048	17,362,780	17,998,921	18,518,969	18,939,127	19,453,940	21,619,223	23,859,447
Assets	$27,479	$29,188	$41,525	$52,244	$56,972	$60,740	$63,175	$68,133	$83,133	$98,767
Loans outstanding	17,215	19,951	26,168	30,834	35,436	39,977	42,373	44,102	49,268	53,727
Shares	24,297	26,327	37,917	48,097	52,083	55,217	57,658	62,082	75,626	89,648
Reserves[1]	1,341	1,409	1,781	2,147	2,423	2,612	2,872	3,047	3,620	4,238
Undivided earnings	655	728	1,065	1,253	1,458	1,651	1,945	2,241	2,952	3,910
Gross income	3,062	3,428	4,508	5,117	5,483	5,973	6,529	6,967	7,898	8,182
Operating expenses	1,024	1,060	1,364	1,655	1,884	2,078	2,216	2,412	2,860	3,203
Dividends	1,747	1,975	2,684	3,004	3,049	3,290	2,930	3,908	4,203	3,664
Reserve transfers	130	179	227	201	184	158	150	118	98	121
Net income	165	219	256	288	355	470	457	509	711	1,207
PERCENT CHANGE										
Total assets	14.1%	6.2%	42.3%	25.8%	9.0%	6.6%	4.0%	7.8%	22.0%	18.8%
Loans outstanding	12.6	15.9	31.2	17.8	14.9	12.8	6.0	4.1	11.7	9.1
Savings	12.3	8.4	44.0	26.8	8.3	6.0	4.4	7.7	21.8	18.5
Reserves	7.3	5.1	26.4	20.6	12.9	7.8	10.0	6.1	18.8	17.1
Undivided earnings	9.0	11.1	46.3	17.7	16.4	13.2	17.8	15.2	31.7	32.5
Gross income	6.4	12.0	31.5	13.5	7.2	8.9	9.3	6.7	13.1	3.9
Operating expenses	4.4	3.5	28.7	21.3	13.8	10.3	6.6	8.8	18.6	12.0
Dividends	10.3	13.1	35.9	11.9	1.5	7.9	-10.9	33.4	7.5	-12.8
Net reserve transfers	-0.8	37.7	26.8	-11.5	-8.5	-14.1	-5.1	-21.3	-16.9	23.5
Net income	-13.2	32.7	16.9	12.5	23.3	32.4	-2.8	11.4	39.7	69.8
SIGNIFICANT RATIOS										
Reserves to assets	4.9%	4.8%	4.3%	4.1%	4.3%	4.3%	4.5%	4.5%	4.4%	4.3%
Reserves and undivided earnings to assets	7.3	7.3	6.9	6.5	6.8	7.0	7.6	7.8	7.9	8.2
Reserves to loans	7.8	7.1	6.8	7.0	6.8	6.5	6.8	6.9	7.3	7.9
Loans to shares	70.9	75.8	69.0	64.1	68.0	72.4	73.5	71.0	65.1	59.9
Operating expenses to gross income	33.4	30.9	30.3	32.3	34.4	34.8	33.9	34.6	36.3	39.1
Salaries and benefits to gross income	14.4	13.6	13.4	13.9	14.5	14.5	14.4	14.7	15.4	16.9
Dividends to gross income	57.1	57.6	59.5	58.7	55.6	55.1	44.9	56.1	53.4	44.8
Yield on average assets	11.9	12.1	12.7	11.2	10.4	10.1	10.5	10.6	10.4	9.0
Cost of funds to average assets	6.9	7.1	7.6	6.4	5.5	5.5	5.9	6.0	5.6	4.1
Gross spread	5.0	5.0	5.1	4.5	4.3	4.6	4.6	4.6	4.6	4.6
Net income divided by gross income	5.4	6.4	5.7	5.6	6.5	7.9	7.0	7.3	9.0	14.8
Yield on average loans	13.3	13.2	14.3	12.7	11.1	11.2	11.4	11.4	11.8	10.8
Yield on average investments	9.9	10.5	10.0	8.0	7.5	7.9	8.4	8.5	7.4	5.7

[1]Does not include the allowance for loan losses

CORPORATE CREDIT UNIONS

Federal Corporate Credit Unions
December 31

Corporate Name	City, State	Assets (in millions)
Capital Corporate	Landover, Maryland	$ 1,170.6
Eastern Corporate	Stoneham, Massachusetts	898.4
Empire Corporate	Albany, New York	1,877.1
Indiana Corporate	Indianapolis, Indiana	1,061.0
Kentucky Corporate	Louisville, Kentucky	292.0
LICU Corporate	Endicott, New York	5.2
Mid-Atlantic Corporate	Harrisburg, Pennsylvania	1,259.6
Mid-States Corporate	Naperville, Illinois	2,074.2
Nebraska Corporate Central	Omaha, Nebraska	112.5
Pacific Corporate	Honolulu, Hawaii	448.5
RICUL Corporate	Warwick, Rhode Island	198.1
South Dakota Corporate Central	Sioux Falls, South Dakota	72.1
Southeast Corporate	Tallahassee, Florida	2,046.3
Southwest Corporate	Dallas, Texas	5,755.6
System United Corporate	Arvada, Colorado	894.7
Tricorp Federal Credit Union	Westbrook, Maine	439.4
Virginia League Corporate	Lynchburg, Virginia	676.2
Western Corporate	Pomona, California	10,534.3
Total		**$29,815.8**

Federally Insured State Corporate Credit Unions
December 31

Corporate Name	City, State	Assets (in millions)
Alabama Corporate	Birmingham, Alabama	$ 368.3
Carolina Corporate, The	Columbia, South Carolina	329.7
Central Credit Union Fund, Inc.	Worcester, Massachusetts	224.2
Constitution State Corporate	South Wallingford, Connecticut	1,189.6
Corporate Central Credit Union	Salt Lake City, Utah	253.1
Corporate Credit Union of Arizona	Phoenix, Arizona	527.2
Corporate One	Columbus, Ohio	1,366.4
Federacion de Cooperativas	San Juan, Puerto Rico	91.8
First Carolina Corporate	Greensboro, North Carolina	572.4
Georgia Central	Duluth, Georgia	873.2
Iowa League Corporate	Des Moines, Iowa	336.3
Kansas Corporate	Wichita, Kansas	356.6
Louisiana Corporate	New Orleans, Louisiana	95.4
Minnesota Corporate	St. Paul, Minnesota	394.2
Oklahoma Corporate	Tulsa, Oklahoma	414.4
Oregon Corporate Central	Beaverton, Oregon	452.7
West Virginia Corporate	Parkersburg, West Virginia	162.0
Total		**$ 8,007.5**
U.S. Central Credit Union	Overland Park, Kansas	$30,833.6

Note: To prevent double counting of assets, U.S. Central Credit Union is excluded from total.

Key Statistics on Federally Insured Corporate Credit Unions

December 31 (dollar amounts in millions)

	1988	1989	1990	1991	1992
Number	30	30	31	33	35
Assets	$13,996.9	$17,206.4	$25,493.8	$31,014.8	$37,823.7
Loans	1,584.7	1,026.2	1,172.4	1,172.8	1,159.2
Shares	11,234.6	14,501.6	20,012.3	25,856.9	31,891.2
Reserves	146.6	172.5	218.0	315.1	412.2
Undivided earnings	69.6	82.6	96.9	120.1	159.7
Gross income	1,084.1	1,485.4	1,904.1	1,928.3	1,746.7
Operating expenses	33.8	41.6	54.9	70.6	79.8[1]
Interest on borrowing	139.7	260.0	323.9	285.5	238.6[1]
Dividends and interest on deposits	877.4	1,145.4	1,465.5	1,457.6	1,291.6[1]
Reserve transfers	16.8	18.8	27.8	40.4	45.0[1]
Net income	17.2	19.9	32.5	74.2	91.7[1]
SIGNIFICANT RATIOS					
Reserves to assets	1.0%	1.0%	0.9%	1.0%	1.1%
Reserves and undivided earnings to assets	1.5	1.5	1.2	1.4	1.5
Reserves to loans	9.3	16.8	18.6	26.9	35.6
Loans to shares	14.1	7.1	5.9	4.5	3.6
Operating expenses to gross income	3.1	2.8	2.9	3.7	4.6[2]
Salaries and benefits to gross income	1.3	1.1	1.0	1.3	2.1[2]
Dividends to gross income	80.9	77.1	77.0	75.6	73.3
Yield on average assets	8.2	9.5	8.9	6.8	5.1
Cost of funds to average assets	7.7	9.0	8.4	6.2	4.4
Gross spread	0.5	0.5	0.5	0.6	0.6
Net income divided by gross income	1.6	1.3	1.7	3.8	5.2
Yield on average loans	9.1	13.3	9.8	8.0	6.2
Yield on average investments	8.2	9.5	9.1	6.9	5.2

Note: To prevent double counting, U.S. Central Credit Union is excluded from totals.

[1]Estimated

[2]Month of December

★ HISTORIC HIGHLIGHTS ★

1909 ★ First U. S. credit union established in New Hampshire

1909 ★ First credit union statute enacted in Massachusetts

1934 ★ Federal Credit Union Act approved by Congress

1970 ★ Independent National Credit Union Administration approved by Congress

★ Share Insurance Fund created by Congress

1979 ★ Three-member Board replaces NCUA administrator

★ Central Liquidity Facility created by Congress

1985 ★ Credit unions recapitalize Share Insurance Fund

1986 ★ Share Insurance Fund backed by "full faith and credit of United States Government"

1992 ★ Corporate rule extensively revised

★ NCUA Board establishes pilot program for low-income community development credit unions

★ NCUA's training program approved for continuing professional education credits by national accrediting agency

★ BOARD MEMBERS ★

Chairman Roger W. Jepsen, former member of the United States Senate from Iowa, was appointed by President Ronald Reagan in 1985 to an unexpired term and to a full six-year term in 1987.

Vice Chairman Shirlee Pearson Bowné was a real estate broker and a member of the board of the Florida Housing Finance Agency when she was appointed by President George Bush in 1991.

Member Robert H. Swan, former president of Tooele Federal Credit Union and former Utah deputy director of finance, was appointed by President Bush. He took office in 1990.

★ OTHER OFFICERS ★

Rebecca Baker, Secretary of the Board
Sue Nelowet, Executive Assistant to the Chairman
John Butler, Executive Assistant to the Vice Chairman
Christopher W. Kerecman, Executive Assistant to the Member

H. Frank Thomas, Inspector General
Benny R. Henson, Director, Office of Administration
Dorothy W. Foster, Director, Office of Human Resources
Joseph W. Visconti, Director, Office of Information Systems

★ REGIONAL OFFICERS, OFFICES ★

Region I
Layne L. Bumgardner, Director
9 Washington Square
Albany, NY 12205
518-464-4180
Fax 518-464-4195

Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont

Region II
David Marquis, Director
1776 G Street Northwest, #800
Washington, DC 20006
202-682-1900
Fax 202-789-2043

Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia

Region III
H. Allen Carver, Director
7000 Central Parkway, #1600
Atlanta, GA 30328
404-396-4042
Fax 404-698-8211

Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, Virgin Islands

Region IV
Nicholas Veghts, Director
300 Park Boulevard, #155
Itasca, IL 60143
708-250-6000
Fax 312-886-9707

Illinois, Indiana, Michigan, Missouri, Ohio, Wisconsin

Region V
John S. Ruffin, Director
4807 Spicewood Springs Road, #5200
Austin, TX 78759-8490
512-482-4500
Fax 512-482-4511

Arizona, Colorado, Iowa, Kansas, Minnesota, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wyoming

Region VI
Daniel L. Murphy, Director
2300 Clayton Road, #1350
Concord, CA 94520
510-825-6125
Fax 510-486-3729

Alaska, American Samoa, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Washington

★ INFORMATION ★

General information	202-682-9650	Credit union data	202-682-9700	Member complaints	All Regional offices
Office of the Board	202-682-9600	Credit union investments	800-755-5999	To report improper or illegal activity at a credit union	800-827-9650
News about NCUA	800-755-1030				
	202-682-9660				

(All 202 numbers will change in September 1993.)

National Credit Union Administration
Washington, DC 20456

Official Business
Penalty for private use, $300

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81- Pres.

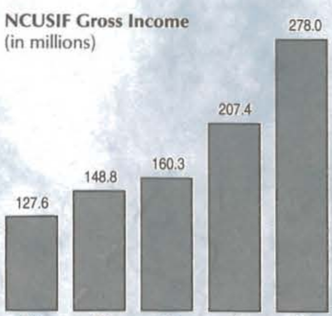
NATIONAL CREDIT UNION SHARE INSURANCE FUND

1992 ANNUAL REPORT

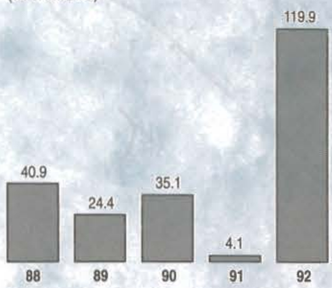
CONTENTS

NCUSIF HIGHLIGHTS FISCAL YEAR 1992

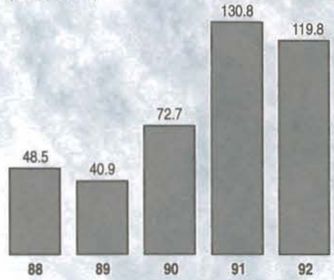
NCUSIF Gross Income
(in millions)



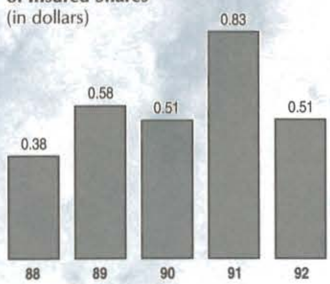
NCUSIF Net Income
(in millions)



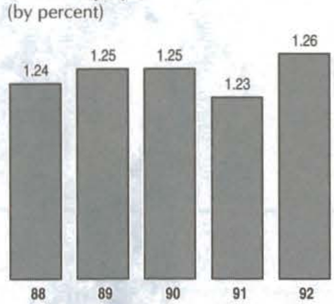
NCUSIF Reserves
(in millions)



NCUSIF Losses per $1,000 of Insured Shares
(in dollars)

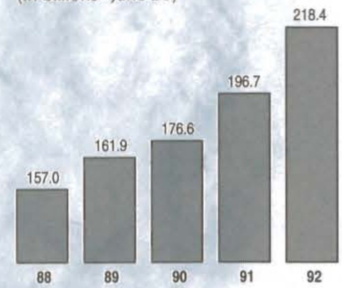


NCUSIF Equity Ratio
(by percent)

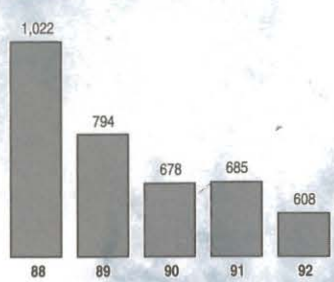


CREDIT UNION HIGHLIGHTS FISCAL YEAR 1992

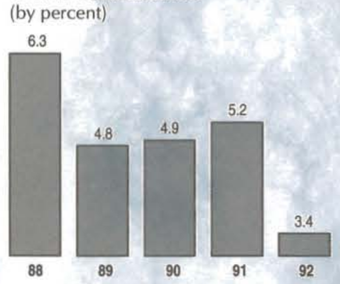
Total Insured Shares
(in billions—June 30)



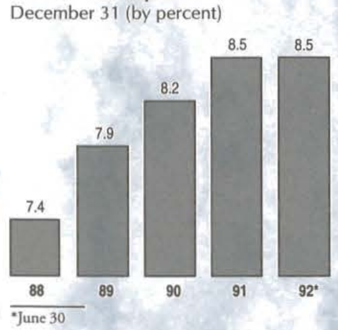
Number of Problem Credit Unions
CAMEL Codes 4 and 5



Percentage of CAMEL Code 4 and 5 Shares to Total Insured Shares
(by percent)

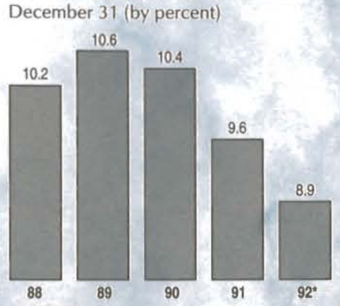


Credit Union Capital Ratio
December 31 (by percent)



*June 30

Credit Union Return on Assets Ratio
December 31 (by percent)



*June 30

NATIONAL CREDIT UNION SHARE INSURANCE FUND

★ ★ ★

1992 ANNUAL REPORT

★

CHAIRMAN'S STATEMENT

★ ★ ★

In 1992 the National Credit Union Share Insurance Fund earned record net income of $120 million. The Fund's equity increased to over $2.5 billion, and assets reached $2.7 billion. With a ratio of equity to insured deposits of 1.26 percent, the NCUSIF continues to be the strongest and healthiest of the federal insurers.

Roger W. Jepsen

The Fund benefited from credit unions' general good health nationwide, as well as the winding down of problem cases in New England. Losses from New England decreased over 30 percent from the previous year. Reserves for remaining problems are more than adequate.

Privately insured credit unions continued to convert to the NCUSIF in 1992, but not in the record numbers of the previous year. Fewer conversions also eased pressure on the Fund.

Year-end financial statements yielded the eighth consecutive unqualified audit opinion for the NCUSIF, as performed by our independent accountants, Price Waterhouse.

All of this good news is a reflection of the support and commitment credit unions demonstrate for their insurance fund. It also means that no insurance premium will be needed for next year.

My personal thanks to NCUA staff and the credit union community for making the National Credit Union Share Insurance Fund a model of strength and stability.

Roger W. Jepsen

Roger W. Jepsen
Chairman

VICE CHAIRMAN'S STATEMENT

★ ★ ★


Shirlee Bowné

One of my guiding principles during my first year on the NCUA Board has been to assure the continued stability of the NCUSIF. More credit unions are diversifying their lending and investments. Consequently, the safety and soundness of NCUSIF-insured credit unions is of utmost importance.

The NCUSIF's performance has been very impressive. The Fund's equity ratio is at a five-year high point. The percentage of shares in troubled credit unions declined to the lowest level in 14 years. The number of problem credit unions dropped from 1,022 in 1988 to 608 this past year, representing less than four percent of total credit union shares.

Credit union officials and NCUA examiners have steered clear of pitfalls by working together. I commend credit union officials for their on-going efforts to reduce operating expenses, promote consumer lending, and avoid concentrating in long-term, fixed-rate assets. Federally-insured credit unions have managed to prosper in terms of profitability and capital, while reducing loan delinquency.

I am especially proud of NCUA's examiners for a job well-done. The retention rate and training of the examiner force continue to improve. In addition to the core examiner training program, NCUA offers eleven different technical seminars two to five days long designed to provide our examiners with in-depth, state-of-the-art information on key credit union issues. NCUA is committed to giving our examiners the tools necessary to stay ahead of increasingly complex problems.

Thanks to all of you, the Fund continues to serve as a model of strength and efficiency for other deposit insurance funds.

Shirlee Bowné

Shirlee Bowné
Vice Chairman

BOARD MEMBER'S STATEMENT

★ ★ ★


Robert H. Swan

Perhaps the most significant aspect of the past year has been the return to normality for credit unions and the National Credit Union Share Insurance Fund.

Last year saw the first insurance premium assessment since the Fund was recapitalized in 1985, a comprehensive study of the entire credit union system by the General Accounting Office, the collapse of the Rhode Island-based private deposit insurance company, a Treasury Department proposal to tax credit unions and to separate NCUA's insurance and regulatory functions, and a legislative call to have credit unions write off their one percent insurance deposit.

Yet, through it all the credit union system responded with great strength, speed and responsibility. The ability of NCUSIF and all credit unions to manage challenges in our financial markets is now tried and tested as never before. Problems in credit unions are under control, the exam cycle has returned to normal, and equity in the NCUSIF has been established.

We will undoubtedly be tested in coming years. There will always be new challenges to face and obstacles to overcome. We can take some comfort, however, with the knowledge that we have encountered tremendous difficulties in the past year and emerged as strong as ever.

Robert H. Swan

Robert H. Swan
Board Member

DIRECTOR'S MESSAGE

★ ★ ★

D. Michael Riley

After a year of record losses, the NCUSIF ended 1992 with lower insurance losses and strong equity. Much of this year's success was due the extra effort put forth by staff and examiners to resolve credit union problems in the Northeast. We are certainly not over the crises in New England, as I still expect to incur smaller losses from a few remaining troubled credit unions in that area. The lower losses, combined with the first insurance premium since 1984, has raised the Fund's year-end equity to a healthy level of 1.26 percent.

Credit union members once again reported the highest satisfaction with their institutions, compared to depositors at banks, and savings and loans. During the first six months of 1992, federally insured credit unions reported strong asset and share growth. The ratio of capital to total assets was at a solid 8.5 percent, and the ratio of non performing loans to total assets improved to 1.54 percent from 1.70 percent in 1991. By September 30, 1992, both the number of problem credit unions and their shares had fallen to their lowest level in 14 years. Deposits in troubled credit unions now account for only 3.4 percent of all insured deposits.

In 1992, our examiners continued to show a high degree of professionalism and flexibility in completing regular examinations of credit unions on schedule, plus meeting the added work of reviewing privately insured credit unions who applied for federal insurance. During the year, a major initiative was made to improve our corporate examination program. The program was completely overhauled and centralized within the Washington Office. A new Part 704 of NCUA Rules and Regulations dealing with corporates was approved by the Board in May 1992.

I am looking forward to even a better 1993. Insurance losses are projected to be less than 1992, and with moderate credit union growth, it is unlikely an insurance premium will be required until 1994 or later. Our investment earnings continue to drop due to lower interest rates, but I am confident we can get through the entire insurance year without any assessment. The Fund is well-reserved to deal with any credit union problems which may occur in 1993.

The NCUSIF has performed well for 1992. Your commitment to building strong, well-capitalized credit unions is an important contributor to the Fund's success. Without your support, the NCUSIF would not be the premier fund that it is today.

D. Michael Riley
Director, *Office of Examination and Insurance*

FISCAL YEAR IN REVIEW

★ ★ ★

October

- NCUA Board approves final investment regulation which prohibits the purchase of certain high risk mortgage-derivative type investments by federal credit unions. The regulation also prohibits federal credit union investments into corporate credit unions which do not comply with Part 704 of NCUA Rules and Regulations.
- NCUA files suit against several law firms and banks that dealt with Franklin Community FCU and its imprisoned president, Lawrence E. King. NCUA is suing for negligence in carrying out professional responsibilities, seeking damages sufficient to cover the $39 million loss to the NCUSIF.
- Shirlee Bowné is confirmed as NCUA Board member by U.S. Senate after receiving confirmation vote of 21-0 by Senate Banking Committee.

November

- The Financial Accounting Standards Board (FASB) votes to approve the AICPA credit union audit guide which treats the one percent NCUSIF capitalization deposit as an asset. FASB is the accounting governing board which sets standards for the profession.
- A study on NCUSIF losses reveals that less than 5 percent of all credit union failures during 1986-1991 were confined to credit unions having more than $20 million in assets, however, these credit unions resulted in over 50 percent of the Fund's insurance losses.
- The NCUSIF receives its seventh consecutive unqualified audit opinion on fiscal year 1991 financial statements from its independent accountants, Price Waterhouse.

December

- President Bush signs the 450 page banking reform bill into law. Public Law 102-242 places $70 billion of Treasury funds into the Bank Insurance Fund (BIF), calls for annual audits and risk based bank premiums, and provides for increased bank supervision and regulation. All key provisions which would have severely impacted credit unions are removed from final bill.
- Federally insured credit unions report strong financial performance for the calendar year 1991. Capital increases to a record 8.5 percent, while delinquency declines to 1.6 percent. Member deposits grew at a 11 percent rate, and asset growth was at a similar rate.
- $160 million Blue Hill Federal Credit Union is liquidated, and purchased and assumed by Grove Bank of Chestnut Hill, Massachusetts. Total loss to the NCUSIF is $39 million.

January

- A total of 593 privately insured credit unions convert to NCUSIF since the collapse of the Rhode Island Share Deposit and Indemnity Corporation (RISDIC) one year ago. Of the 45 credit unions and banks closed by Governor Sundlun, 36 have reopened with federal insurance.
- NCUSIF collects $165 million in the first insurance premium assessment since 1984.
- President Bush issues State of the Union Address which contains a budget proposal to tax credit unions having over $50 million in assets. Reason for repeal of tax exempt status is to "equalize tax treatment of large credit unions and thrifts." The taxation proposal is eventually killed in both the House and Senate bills.

February

- Two key officials of RISDIC are indicted on conspiracy charges by the Rhode Island State Attorney's Office. Peter Nevola, former RISDIC president, and Joseph Bellucci, former RISDIC chairman, are charged with conspiracy to commit bank fraud and filing false documents.
- Chairman Jepsen tells Congressional House Appropriations subcommittee that NCUSIF has followed accrual basis of accounting under GAAP since 1982 in response to the President's proposal to shift all federal deposit fund accounting from a cash basis to a full accrual method.
- FDIC tentatively approves purchase of four Rhode Island credit unions by a Connecticut thrift association. The credit unions were closed since the RISDIC failure in January 1991, and did not meet the requirements for NCUSIF insurance.

March

- American Institute of Certified Public Accountants (AICPA) releases for comment a draft of its long-awaited audit and accounting guide for credit unions. The final product will replace the 1986 *Audits of Credit Unions* publication. The guide treats the one percent capitalization deposit as an asset.
- Federally insured credit unions with assets greater than $100 million report high asset and share growth during first quarter of calendar year. Quarterly Call Reports were sent for the first time to the 450 largest federally insured credit unions.

FISCAL YEAR IN REVIEW

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April

- Former chairman of Rhode Island's Heritage Loan & Investment Company, Joseph Mollicone Jr., turns himself in to federal agents. Mollicone is charged with embezzling $13 million from Heritage Bank which triggered collapse of RISDIC.
- Washington Times reports that White House Federal Credit Union has loan-delinquency rate twice the national average.
- $51 million Myles Standish Federal Credit Union is purchased and assumed by Progressive Consumers Federal Credit Union. Myles Standish was placed into federal conservatorship in October 1991, for engaging in poor lending practices and mismanagement.

May

- NCUSIF operating level increases to $1.28 for every $100 of insured shares and deposits.
- FDIC proposes to increase insurance premiums for banks to about 28 cents per every $100 in deposits effective January 1, 1993, and to implement a risk-based premium system effective by January 1994. Premiums will range from 25 cents for each $100 of domestic deposits at the healthiest banks and thrifts to 30 cents at the weakest institutions.
- After three comment periods and many revisions, a final corporate credit union rule is approved by the NCUA Board. The final regulation includes major changes in the areas of corporate investments, reserves, and board representation. Most changes take effect December 1, 1992.

June

- The Federal Deposit Insurance Corporation releases 1991 year-end data for its Bank Insurance Fund (BIF). BIF ended the year with a $7 billion deficit resulting in an operating ratio of a negative 36 cents for every $100 of domestic bank insured deposits.
- $2.5 million in escrow funds set aside by the Utah Credit Union Insurance Corporation to cover losses from Utah conversions in June 1987 is returned to the NCUSIF in accordance with conversion agreement.
- Ninety percent of savings belonging to the Rhode Island depositors which had been frozen by the state since January 1, 1991, has been returned. The remaining ten percent is payable over the next 20 years. Expected losses to the state are expected to top $300 million.

July

- NCUSIF insured natural person credit unions reflect strong financial performance during first six months of calendar year 1992. Mid-year capital-to-asset ratio at a record level of 8.5 percent, insured shares and deposits increased 11 percent to $218 billion, and assets reflected similar growth to $245 billion.
- NCUA Board approves proposal to require quarterly call reports from all federally insured credit unions exceeding $20 million in assets. Credit unions with $50 million in assets would report on a quarterly basis beginning in March 1993, and those having $20 million would begin in March 1994. The GAO recommended quarterly reporting in its two year study of the credit union system issued last year.

August

- Credit union examiners are on site at damaged credit unions two days after Hurricane Andrew blasts through Florida and Louisiana. Hardest hit is the $50 million Homestead Air Force Base Federal Credit Union. Examiners bring in chain saws and shovels to clear fallen trees and debris from credit union grounds, and act as tellers until credit union officials can resume full operations.
- Two New York federal credit unions, Kasa Lithuanian ($43 million), and Gotham Area ($34 million) are liquidated. Costs to the NCUSIF from these closures is $16 million.

September

- U.S. Attorney's Office indicts four individuals on 43 counts of bank fraud, money laundering, and conspiracy which lead to the failure of Barnstable Community Federal Credit Union of Hyannis, Massachusetts. The credit union's failure has resulted in a $31 million loss to the NCUSIF.
- NCUSIF ends fiscal year 1992 with $112 million in insurance losses, a 31 percent reduction from 1991. Insurance losses per every $1,000 of insured shares drop from $0.83 to $0.51.
- A total of 228 privately insured credit unions credit unions convert to the NCUSIF during fiscal year 1992. These credit unions increase insured shares and deposits by $3 billion.
- The FDIC Board approves new risk rated premium structure for banks and thrifts. Premium assessment will increase from 23 cents per $100 in deposits to an average of 25.4 cents, significantly below the average 27.7 cents originally proposed. The range of assessment will range from 23 cents for healthy institutions to 31 cents for the riskiest institutions.

SCOPE OF INSURANCE COVERAGE

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The National Credit Union Share Insurance Fund is the largest insurer of credit union shares and deposits. At June 30, 1992, 12,677 NCUSIF insured credit unions had total insured shares and deposits of $218.4 billion. The table below summarizes the share insurance requirements of the 50 states, the District of Columbia, and Puerto Rico.

During fiscal year 1992, the number of federally insured credit unions declined by 266 to 12,705. Federal credit unions make up 7,992 or 63 percent of this number, and the remaining 4,713 are federally insured state-chartered credit unions. For natural person federally insured credit unions, the share and deposit composition at June 30, 1992, is identical—63 percent for federal charters, and 37 for state-charters. Actual changes in the numbers of federally insured credit unions are shown below.

Although the number of credit unions dropped in 1992, the amount of insured shares in natural person credit unions is projected to increase by over 10 percent during the year, raising total insured shares to a projected $220 billion by December 31, 1992. During the first half of 1992, credit unions grew in assets and deposits by about 11 percent, compared to less than two percent for banks.

The number of conversions of privately insured credit unions to federally insured state-chartered credit unions fell from 432 in 1991 to 228 in 1992. In addition, two federal credit unions converted to federally insured state-charter, and 33 federally insured state-chartered credit unions converted to federal charter. After the collapse of the Rhode Island Share Deposit and Indemnity Corporation (RISDIC) in January 1991, the states of Rhode Island, Florida, Iowa,

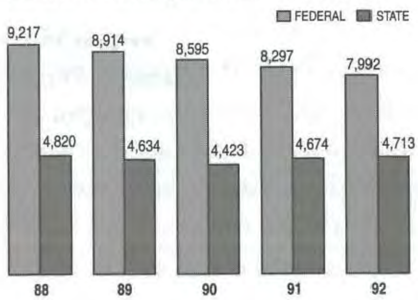
Changes in Federally Insured Credit Unions
Fiscal Year 1992

	Federal Credit Unions	Federally Insured State Credit Unions	Total
Beginning number 10/1/91	**8,297**	**4,674**	**12,971**
Additions:			
New federal charters	1	—	1
New state charters with			
Federal insurance certificates	—	—	—
Conversions	33	230	263
Resumed operations	2	—	2
Subtractions:			
Mergers			
Assisted	19	14	33
Voluntary	239	113	352
Liquidations:			
Involuntary	60	21	81
Voluntary	21	8	29
Conversions	2	35	37
Ending number 9/30/92	**7,992**	**4,713**	**12,705**
Net increase (decrease)	**(305)**	**39**	**(266)**

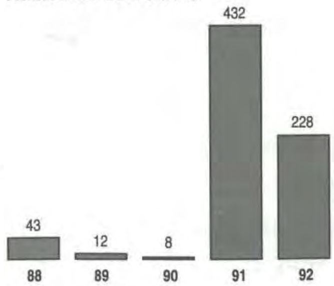
Kansas, Missouri, and Texas have since enacted either statutory or regulatory action requiring their credit unions to have federal insurance. In other states, such as Georgia, Massachusetts, and Tennessee, some credit unions have voluntarily switched to federal insurance. Since the Fund was capitalized in 1985, 1,558 privately insured credit unions have converted to the federal insurance program.

The effect of the 228 privately insured credit union conversions upon the NCUSIF equity ratio for 1992 was negligible. If these conversions had not occurred during the fiscal year, the ratio would have not differed from its September 30, 1992 level of 1.26 percent.

Number of Federally Insured Credit Unions



Number of Conversions*



*from privately insured to federally insured state-chartered credit unions

State Requires Participation in Insurance Program of National Credit Union Administration

Alabama	Florida	Mississippi	South Dakota
Arkansas	Iowa	Missouri	Texas
Connecticut	Kansas	Nebraska	Vermont
Delaware	Maine	North Dakota	Wisconsin
District of Columbia	Michigan	Rhode Island	Wyoming
	Minnesota	South Carolina	

State Requires Participation in Either the NCUA Program or Some Other Officially Approved Insurance Program

Alaska	Illinois	Nevada	Pennsylvania
Arizona	Indiana	New Jersey	Puerto Rico
California	Kentucky	New Mexico	Tennessee
Colorado	Louisiana	New York	Utah
Georgia	Maryland	North Carolina	Virginia
Hawaii	Massachusetts	Ohio	Washington
Idaho*	Montana	Oregon	West Virginia

No Requirement in Law on Share Insurance

New Hampshire
Oklahoma**

* CU must disclose lack of insurance
** CU members may vote to remain uninsured

Share Growth in Federally Insured Natural Person Credit Unions
(dollars in millions)

December 31	Shares Outstanding: Federal Credit Unions	Shares Outstanding: State Credit Unions	Total	Percentage Change from Prior Year Total Shares
1988	104,431	55,217	159,648	9.1%
1989	109,653	57,518	167,171	4.7%
1990	117,881	62,082	179,963	7.7%
1991	127,316	72,467	199,783	11.0%
1992*	135,000	85,000	220,000	10.1%

*Estimated for 12/31/92

FIELD OFFICERS

★ ★ ★

Region I
Layne L. Bumgardner
Director

Region II
Foster C. Bryan
Director

Region III
H. Allen Carver
Director

Region IV
Nicholas Veghts
Director

Region V
John S. Ruffin
Director

Region VI
Daniel L. Murphy
Director

Asset Liquidation Management Center
J. Leonard Skiles
President

SUPERVISION OF FEDERALLY INSURED CREDIT UNIONS

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Examination and Supervision Program

The credit union industry has undergone remarkable changes over the past 20 years. At the same time the NCUA examination and supervision program has continually evolved to meet the ever changing challenges presented. The examination and supervision program consists of a coordinated and interrelated group of programs and activities which include:

- examination policies and procedures;
- automated core examination system (ACES);
- CAMEL rating system;
- examiner training;
- corporate credit union examination program;
- quality control; and
- state insurance review program.

Examination Policies and Procedures

Examination policies and procedures affect all federal and federally insured state-chartered credit unions. NCUA strives to establish examination policies and procedures which attempt to strike a balance between managing available resources and providing regular, active, on-site supervision.

Examination policies are developed through an ongoing program of review and adjustments. Examination policies and procedures are developed using examiners, regional office staff, central office staff, and state credit union supervisors, assuring that examination policies and procedures are consistent, effective, and practical. In order to achieve uniformity of results, a CORE examination program was developed. This CORE examination program is used by all federal examiners and most state examiners who examine federally insured state-chartered credit unions.

CAMEL Rating System

CAMEL established a set of criteria and ratios which are measured both quantitatively and qualitatively by each examiner during the on-site examination. CAMEL provided NCUA with a method of establishing more uniform and consistent results between examiners and from one period to another. Credit unions were also provided information about CAMEL and were encouraged to establish their own internal measurement in order to assess the relative strengths and weaknesses of the credit union. It is through this cooperative effort and sharing of information that credit unions and NCUA have achieved better understanding. CAMEL is a dynamic system serving the needs of both NCUA and credit unions in a changing environment.

Examiner Education—A Vital Starting Point in Commitment to Excellence

Since the establishment of the NCUSIF, NCUA has always placed a great deal of emphasis and resources on examiner training. Over the years, the training program has matured significantly through continuous revisions as well as new program developments. While many changes have been made to the training program, the agency's ever strong commitment to provide all examiners with high quality classroom training on an on-going basis continues to be a top priority. To assure the highest level of instruction, NCUA utilizes the services of both Agency staff and outside subject matter experts. As a result, today's examiners receive some of the highest quality training provided by any financial regulator. The program consists of two phases.

The New Examiner Training Program

The New Examiner Training Program includes five levels of classroom training in the first nine months on the job. Through approximately eight weeks of intense classroom training, coupled with on-the-job training each new examiner received from personal OJTs, the new examiner generally assumes district examiner responsibilities in approximately six months. The overall goal of the program is to develop a highly skilled, productive, and motivated examiner. The chart below shows the classes that were conducted during fiscal year 1992. The training focuses on safety and

Program	Number of Sessions	Federal Examiners	State Examiners	Total Trained
New Examiner—I	11	55	0	55
New Examiner—II	9	53	0	53
New Examiner—III	11	88	39	127
New Examiner—IV	9	85	33	118
New Examiner—V	10	89	32	121
Totals	**50**	**370**	**104**	**474**

soundness issues and the ability to identify and communicate adverse trends and potential problems. In 1992, NCUA's classroom trainers conducted 50 sessions of the New Examiner Training Levels I through V.

Technical Seminars

NCUA's senior examiners are offered an array of technical seminars to keep current on key credit union issues. Each program is developed to provide an in-depth look at major subject areas, and explores the safety and soundness issues surrounding the topics. While each program varies in length and subject matter, all programs are designed with one major focus–to provide practical and timely information. The faculty includes NCUA staff, industry leaders, and acknowledged subject matter experts.

During fiscal year 1992, NCUA conducted a new seminar on consumer compliance regulations and expanded its seminar on advanced real estate lending. To keep pace with the increasing complexity of credit union operations, an advanced investment seminar was developed and offered to NCUA's most senior examiners. Also a Special Actions conference was conducted for Problem Case Officers, and a series of four seminars were conducted for Corporate Examiners. The seminars shown to the right were conducted in fiscal year 1992.

FFIEC Training

In addition to conducting its own technical seminars, NCUA participates in training programs conducted by the Federal Financial Institutions Examination Council (FFIEC). These programs permit NCUA examiners to benefit from the knowledge and experiences of other financial regulators. Courses include "White Collar Crime," "Off Balance Sheet Risk," and many others.

Corporate Credit Union Examination Program

Corporate credit unions are credit unions for credit unions, that serve as the primary source of investment, liquidity and payment services for the nation's natural person credit unions. There are currently 44 corporate credit unions plus U.S. Central Credit Union. Total assets within this system continue to grow as loan volume, in relationship to member savings, continues to decline in natural person credit unions. Total assets, excluding U.S. Central, exceeds \$43 billion. This compares to total assets of \$35 billion at the end of fiscal year 1991.

Program	Number of Sessions	Federal Examiners	State Examiners	Total Trained
Agricultural Lending	1	10	7	17
Asset-Liability Management	7	242	54	296
Commercial Lending	2	90	27	117
Residential Mortgage Lending	6	179	65	244
Advanced Real Estate Lending	4	133	23	156
Consumer Compliance	3	67	22	89
Auditing Principles and Fraud Detection	3	105	55	160
Investments	3	114	64	178
Advanced Investments	1	74	–	74
Problem Resolution	5	104	37	141
OJT Trainer Workshop	4	58	1	59
Totals	**39**	**1,176**	**355**	**1,531**

U.S. Central Credit Union was organized in March 1974 and quickly became the focal point which linked corporate credit unions together into the Corporate Credit Union Network. A need existed for a "central bank" dedicated solely to serving the emergency liquidity needs of the credit union movement. On October 1, 1979, the Central Liquidity Facility (CLF), a federally backed lender of last resort, began operations. U.S. Central Credit Union joined the CLF, becoming an "agent member" for corporate credit unions. When this occurred, over 95 percent of all credit unions became members of the CLF which, along with the Corporate Credit Union Network, provides liquidity to natural person credit unions.

The Monetary Control Act of 1980 provided the Corporate Credit Union Network with direct access to Federal Reserve Bank services. Prior to this, credit unions had to rely on the banking industry to provide these services. Since 1980, U.S. Central Credit Union and corporate credit unions, defined by the Act as "banker's banks", have expanded the benefits associated with economies of scale by providing "wholesale" correspondent services including investment, safekeeping, wire transfers, and automated settlement, while continuing to be the primary providers of liquidity for their member credit unions.

In May 1992, after 18 months of study and comments, the National Credit Union Administration Board adopted changes to Part 704 of NCUA's Rules and Regulations. The regulation governing corporate credit unions is extensive and detailed, especially in the areas of investments and reserving requirements. Major highlights of the regulation, which is effective December 1, 1992, include:

- The option to establish "Membership Capital Share Deposits" which can serve as secondary capital;
- Increased investment authority to permit better diversification in the investment portfolio;
- Revised reserving requirements that base reserve transfers on risk-weighted assets including off-balance sheet items (that will also be risk-weighted); and
- A requirement that the board of directors of a corporate credit union have at least three directors who are not officers, directors or employees of an affiliated organization; or have taken steps to ensure open, independent elections.

To provide a single source of policy and direction for the nation's corporate credit unions, the examination and supervision function for all corporate credit unions was centralized in the Washington Office as of October 1, 1992. In addition to a team of highly qualified examiners stationed in the field, there is a Corporate Program Manager, Corporate Specialist and Investment Officer in the Washington Office. Corporate examiners receive highly specialized training to keep abreast of developments in the corporate credit union system, as well as the financial marketplace.

NCUA continues to cooperate with state credit union supervisory authorities in conducting examinations and providing supervision. The objective is to ensure the continued financial soundness of the entire corporate network system.

State Insurance Review Program

State programs have been significantly enhanced over the past several years resulting in a cooperative spirit between NCUA and state credit union regulators. In 1992, NCUA and the states worked jointly to preserve the financial health of federally insured state chartered credit unions (FISCUs) through consistent and quality examinations.

Most states now follow the Core examination format, and many utilize the Automated Core Examination System (ACES) using laptop computers. This was made possible by the laptop computer lease program which allows state credit union examiners to use NCUA's computers in conducting examinations of FISCUs.

In addition, many state examiners attended NCUA's formalized classroom training in 1992. This program has offered an opportunity for state examiners to gain advanced technical knowledge, as well as a platform on which to exchange ideas and thoughts with their peers.

Other Issues

Investment and Deposit Activity

In October 1991, the NCUA Board adopted a final rule to Part 703 of the NCUA Rules and Regulations. The regulation prohibits federal credit unions from investing in corporate credit unions that do not operate in compliance with the agency's corporate credit union regulations (Part 704 of NCUA Rules and Regulations).

The rule also prohibits certain high risk investments such as mortgage-derivative products under most conditions. Under these provisions, federal credit unions are prohibited from investing in stripped mortgage-backed securities (SMBS). Also prohibited are investments in collateralized mortgage obligations (CMO), real estate mortgage investment conduits (REMIC), and other CMO investments with high average life volatility.

The regulation also prohibits investments in zero coupon bonds with maturities exceeding 10 years.

Current federal credit union investments are "grandfathered" conditionally under this regulation.

Financial and Statistical Reporting

In the past, all federally insured credit unions have been required to file with NCUA a semiannual Financial and Statistical Report (Call Report). Beginning with the first quarter of 1992, credit unions with assets exceeding $100 million were required to submit a quarterly Call Report. Letter to Credit Unions Number 1, issued in January 1992, alerted credit unions to the additional reporting requirement, and to major revisions that were to take place to the Call Report format.

The reason for the increased reporting was to provide NCUA and state supervisors with more timely and complete financial data to improve the efficiency and effectiveness of off-site monitoring of the industry and individual credit unions. Recognizing the increasing complexity of credit union operations, it was determined that twice-yearly submission of data was too infrequent, particularly for large credit unions.

Credit union assets have shown significant increases in complex areas such as real estate lending, member business lending, and investments. These changes have significantly increased the risk to the NCUSIF. More timely reporting will provide NCUA with the tools to detect areas of concern to the industry, as well as individual credit unions. In large credit unions, where the potential risk to the NCUSIF is greater, more frequent reporting is clearly desirable. Quarterly reporting will enable NCUA to act quickly to prevent financial loss, both the credit union members and the NCUSIF.

FINANCIAL STATUS OF FEDERALLY INSURED CREDIT UNIONS

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Effective October 1, 1987, the NCUA Board approved a change in the program used to assess the condition of federally insured credit unions from the Early Warning System (EWS) to the CAMEL Rating System. Under CAMEL program, a credit union's rating may range from a code 1 to a code 5 credit union based upon an evaluation of financial data derived from the annual examination, the financial performance report, and several other measurements of safety and soundness. The CAMEL classifications are as follows:

CAMEL Code 1: *Excellent*
CAMEL Code 2: *Good*
CAMEL Code 3: *Fair*
CAMEL Code 4: *Weak*
CAMEL Code 5: *Unsatisfactory*

The tables below and on the next page provide an analysis, by CAMEL code, of the number and percentage of shares of federally insured credit unions as of September 30, 1992.

During fiscal year 1992, both the number of Code 4 and 5 credit unions and the percentage of insured shares decreased to their lowest levels since the 1970's.

Distribution of Federally Insured Credit Unions by CAMEL Categories

CAMEL Category	As of 9/30/88	As of 9/30/89	As of 9/30/90	As of 9/30/91	As of 9/30/92
Codes 1 & 2	8,341	8,310	8,061	7,608	7,599
3	4,644	4,444	4,279	4,678	4,498
4	926	723	625	633	573
5	96	71	53	52	35
Totals	**14,007**	**13,548**	**13,018**	**12,971**	**12,705**

FINANCIAL ASSISTANCE TO CREDIT UNIONS

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Risk management is the principle which underlies the success of the NCUSIF. The management of risk entails identifying and controlling potential losses to meet insurance underwriting standards. Due to the diversification of insured credit unions' activities, competitive pressures, and deregulation, the nature of risk is continually evolving. Likewise, the measures to deal with this risk must continue to evolve. Active programs to assess risk, and to take appropriate actions to minimize losses have never been more important.

The unique nature of insured credit unions' interest and ownership in the NCUSIF results in common goals between the NCUSIF and the credit unions it insures. The primary common goal is maintaining the safety and soundness of the NCUSIF. Improvements in credit union capitalization and efforts to operate competitively while minimizing loss exposure directly assist in reducing potential risk to the NCUSIF and achieving that goal.

The regulatory side of the Agency is vital to carrying out the risk management function and works in concert with the assistance programs of the NCUSIF to minimize potential losses from credit unions that could be at risk of failure. During 1992, the Agency continued its emphasis on assisting credit unions and on risk management. Through conferences with Special Actions personnel, substantial time was devoted to the training of staff in the areas of problem identification and resolution. Through the Fund's programs to determine and evaluate commonalities of failed credit unions, techniques are fine-tuned to aid Agency staff with early detection of evolving problem situations and to help credit unions in the correction of their problems.

National and regional financial trends played an important role in the health of credit unions and the demands upon the Fund. The Northeast continued to experience problems with real estate lending, but not to the extent as in 1991. Intensifying competition by financial institutions also placed pressure on marginal operations. The continued trend toward real estate secured lending offers new challenges in a credit union's asset/liability management.

The NCUSIF can provide financial assistance directly to insured credit unions to avoid liquidation. The Fund actively exercised this provision during the fiscal year, but as part of an overall risk management program.

Losses cannot be avoided and are a natural consequence of credit union operations. Losses and special assistance, as described elsewhere in this report and as summarized on the following table, have decreased. Although the number of credit unions receiving assistance is relatively small, the risk they represent to the Fund is significant. The return of these credit unions to profitable, self-sustaining operations is central to the successful use of assistance from the NCUSIF.

When credit unions become impaired financially, a decision concerning the propriety of financial assistance is made. If the credit union has a viable field of membership, good management, and has resolved the basic problems that were the source of its financial losses, the NCUSIF can

Percentage of Shares by CAMEL Category

CAMEL Category	As of 9/30/88	As of 9/30/89	As of 9/30/90	As of 9/30/91	As of 9/30/92
Codes 1 & 2	73.8%	75.4%	73.0%	68.3%	74.8%
3	19.9	19.8	22.1	26.5	21.8
4	6.0	4.6	4.7	5.0	3.3
5	0.3	0.2	0.2	0.2	0.1
Totals	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Summary of CAMEL Code 4 and 5 Credit Unions

	9/30/91	9/30/92
Number of Code 4 and 5 credit unions	685	608
Percentage of insured credit unions	5.3%	4.6%
Shares in Code 4 and 5 credit unions	$10.4 billion	$7.4 billion
Percentage of NCUSIF natural person insured shares	5.2%	3.4%

provide financial assistance. Significant resources are expended to ensure credit unions are assisted and salvaged to the maximum degree possible.

Financial assistance from the NCUSIF can be divided into the categories of non-cash or cash.

Changes in NCUSIF Guaranty Accounts Outstanding (amounts in thousands)

Guaranty accounts outstanding	
October 1, 1991 (51 cases)	$179,595
Increases	
14 credit unions needed initial assistance	12,520
18 credit unions needed additional assistance	22,898
Decreases	
24 credit unions merged/liquidated	(66,355)
16 credit unions completed amortization of assistance	(11,165)
Guaranty reduction in outstanding cases	(49,453)
Guaranty accounts outstanding	
September 30, 1992 (25 cases)	$88,040

Guaranty Accounts Outstanding by Type of Credit Union as of September 30, 1992

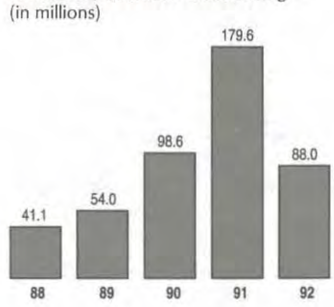
	Number		Amount Outstanding (in thousands)
Federal credit unions	19	(76%)	$80,747
Federally insured state credit unions	6	(4%)	7,293
Totals	**25**	**(100%)**	**$88,040**

Non-Cash Assistance

Non-cash special financial assistance is provided as a capital guaranty account which replaces a credit union's deficit in undivided earnings. The deficit in undivided earnings occurs when the credit union's losses and expenses exceed its ability to generate revenue. Guaranty accounts are necessary to provide full and fair disclosure of a credit union's financial condition. The guaranty allows the credit union to continue operating and paying dividends while it amortizes the negative net worth. A guaranty does not mask the financial condition of the credit union since the account is shown as deficit capital and clearly identified and footnoted. The credit union's assets are not overstated, nor the negative net worth understated. As of September 30, 1992, 25 credit unions had recorded guaranty assistance of $88.0 million, as shown in the tables to the left and below.

Any type of assistance from the Fund is granted conditionally. For example, the problem that resulted in the losses or need for assistance must be immediately addressed and corrected. Action must also be taken by the credit union to improve its operations and financial performance. Almost all guaranty accounts are amortized on a predetermined schedule negotiated between Agency staff and the credit union. The amortization schedule reflects profit improvement goals that the credit union's directors and management are committed to achieving.

Non-Cash Assistance Outstanding
(in millions)

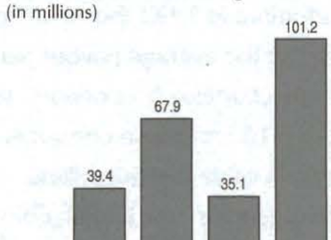


Changes in NCUSIF Cash Assistance Outstanding
(amounts in thousands)

Cash assistance outstanding	
October 1, 1991 (9 cases)	$ 35,101
Increases	
5 credit unions needed initial assistance	131,200
0 credit unions needed additional assistance	0
Decreases	
8 credit unions earned incentive reductions*	11,056
2 credit unions repaid balance of assistance	3,869
6 credit unions repaid portion of assistance	47,589
1 credit union P&A'd with a portion of assitance charged-off	2,559
Reduction in outstanding cases	65,073
Cash assistance outstanding	
September 30, 1992 (9 cases)	$101,228

* Includes 3 credit unions which earned incentives and repaid cash equal to outstanding balance of cash assistance.

Cash Assistance Outstanding
(in millions)



Cash Assistance

The second type of financial assistance under Section 208 of the Federal Credit Union Act is in the form of loans or cash advances. Capital Notes have constituted the majority of this assistance over the past several years. Under this program, cash is advanced to a problem credit union in exchange for a subordinated note that is usually interest free. The primary intent of the cash infusion is to improve the credit union's income position by allowing it to acquire income producing assets to offset the effect of non-earning assets or accumulated losses. Capital Notes usually contain specific repayment schedules that reflect the earnings improvement projected for the credit union.

As of October 1, 1991, nine credit unions had $35.1 million of cash assistance outstanding. During the year, five new credit unions received Capital Note assistance totaling $131.2 million.

ASSET LIQUIDATION MANAGEMENT CENTER

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Background

The Asset Liquidation Management Center (ALMC) became operational in the latter part of 1988 under direction of Region V. During 1990, the ALMC assumed an expanded mission independent of Regional control. Prior to being restructured, the ALMC had a singular mission to minimize losses to the NCUSIF by managing and disposing of assets, primarily real estate, acquired from liquidated or troubled credit unions. Although the mission and concept of the ALMC was national in scope, its original performance was essentially case specific and involved assets acquired from several large problem credit unions located in Region V.

The asset sales and management structure, however, was not adequate to meet the increasing percentage of real estate loans in the portfolios of federally insured credit unions. Of particular concern to the NCUA Board was the immediate adverse effect a single non performing large real estate loan or a block of smaller non performing real estate loans could have on the operations of a credit union in light of the general economic conditions. To address this new characteristic and potential problem area in credit union loan portfolios, the NCUA Board determined that the ALMC must have the ability to rapidly respond to Regional requests for assistance in examining real estate portfolios, and to aggressively manage and dispose of assets acquired from troubled or liquidated credit unions.

Prior to March 1990, the direction of the liquidation activity was the responsibility of Regions II and V. The NCUA Board, in reviewing this activity, also determined it was necessary to provide greater consistency and improved efficiencies among the Regions in the policies and procedures relative to the liquidation of credit unions. To achieve this purpose, a consolidation of the liquidation activity within the ALMC was approved, since many of the asset sales and liquidation functions significantly overlapped.

This combined initiative of the NCUA Board was accomplished by appointing a President, ALMC, who was given the responsibility of directing the consolidated operations. The restructured ALMC was then organized into the Divisions of Liquidations, Asset Sales and Management, and Accounting and Administration. The ALMC has since hired staff with outstanding credentials and experience in real estate.

1992 Highlights

In 1992, research and development continued to be an important issue, particularly in the advancements to the computer database, internal controls, loan discount programs, bulk sales program, consulting with the regional offices, real estate servicing, reserve evaluation, and consolidation of the accounting system. During the year, a concentrated effort was made to maximize recoveries from assets in liquidation, and/or from assets acquired from problem credit unions. A major accomplishment for 1992 was the recovery of over $99 million from these assets. This represents an increase of over 90 percent in recoveries over the previous year. The most significant recoveries were due to the following:

- $30.8 million from the sale of 326 assets;
- $5.5 million in collections from rental income and principal payments on OREO properties;
- $11.8 million from the completion of 15 loan sales;
- $13.8 million from the settlement of 23 bond claims; and
- $27.3 million from principal and interest collections on outstanding consumer loans.

In addition, in 1992 the ALMC completed 34 liquidations reducing the average payout period to 2.59 days, and canceled 38 charters. It continues to manage 134 open liquidations, $100 million in consumer loans, and 867 assets having a book value of $56 million.

The agency's mission of efficiently and effectively managing the liquidation activity and the disposition of assets through the ALMC was successfully met in 1992. Additionally, ALMC policies and procedures have been improved so that the entire liquidation process and performance will improve in 1993.

NCUSIF FINANCIAL REVIEW

★ ★ ★

During fiscal year 1992, the number of credit union failures (involuntary liquidations and assisted mergers) fell to 114, compared to 130 for the previous year. Although there were fewer failures, the actual dollar amount spent to close these institutions increased to $120 million, compared to $77 million in 1991. The increase in cost was primarily due to the closure of several large credit unions in the Northeast having high concentrations of commercial and residential real estate loans.

The NCUSIF received its eighth consecutive unqualified audit opinion from its independent accountants, Price Waterhouse, on the year-end financial statements. The audited financial statements, accompanying footnotes, and report of the independent accountants begin on page 23 of this report. The NCUSIF continues to be the only federal deposit insurance fund that has its financial statements audited annually not only by the General Accounting Office (GAO), but also by an independent accounting firm.

After seven straight years of insurance assessment waivers which saved credit unions $655 million in premium expense, the NCUSIF collected a 1992 premium of $165 million. The premium, which was partially recognized as income in 1991, was assessed to maintain the Fund's operating ratio at a healthy level after the record losses and high share growth reported in 1991. The effect of the premium raised the operating level of the NCUSIF to 1.26 percent at September 30, 1992, a level within the Board's designated operating range of 1.25 percent to 1.30 percent.

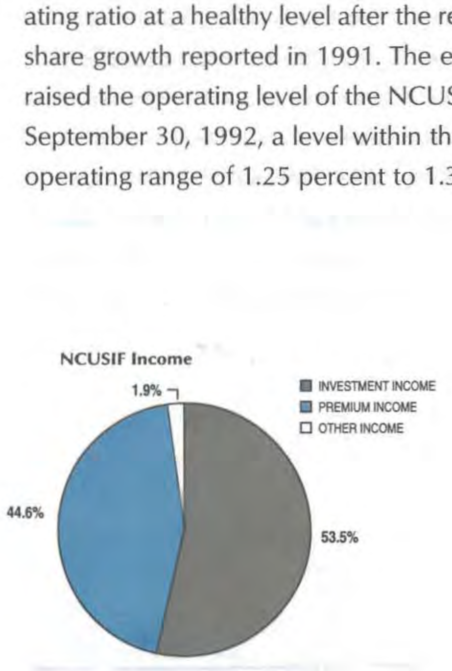
Total Revenue

Total revenue of $278 million for fiscal year 1992 is the largest amount ever recorded for the Fund. Of that amount, $124 million was from the insurance premium of $165 million assessed for insurance year 1992. The remaining premium amount of $41 million was recognized as income in fiscal year 1991, since the insurance year covered a period from July 1, 1991 through June 30, 1992. Total revenue is composed of investment income, insurance premium income, interest on notes receivable, interest on some types of credit union assistance, and miscellaneous income on other assets.

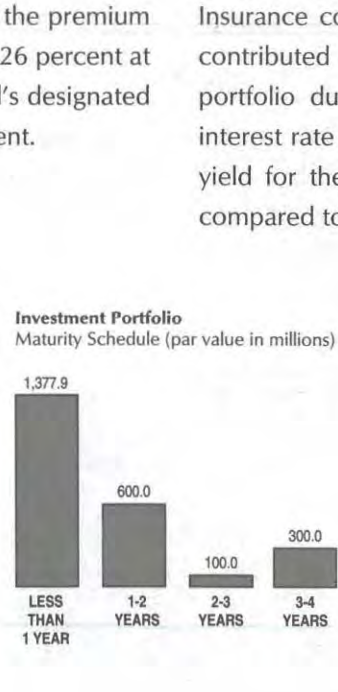
By Federal statute, the investments of the NCUSIF are limited to direct obligations of the U.S. Treasury or securities guaranteed by the United States as to both principal and interest.

The primary investment objectives of the NCUSIF are to provide adequate liquidity to meet the cash needs of the Fund and to obtain the maximum yield possible with minimum risk within maturity limits. The composition of the NCUSIF investment portfolio is entirely one-day Treasury certificates and Treasury Notes. At September 30, 1992, 58 percent of NCUSIF investments had maturities of one year or less, and none had maturity dates greater than four years. Insurance conversions and growth in credit union shares contributed to the $255 million increase in the Fund's portfolio during 1992. However, because of the falling interest rate environment in 1992, the average investment yield for the NCUSIF in 1992 dropped to 6.45 percent compared to 7.84 percent in 1991.

NCUSIF Income



Investment Portfolio
Maturity Schedule (par value in millions)



Investment Yield
(by percent)

NCUSIF Administrative Costs
(amounts in thousands)

Fiscal Year	1988	1989	1990	1991	1992
Direct expenses	$ 0	$ 2,048	$ 3,357	$ 2,429	$ 4,891
Allocated expenses	26,588	28,769	31,796	37,924	41,270
Total administrative expenses	**$26,588**	**$30,817**	**$35,153**	**$40,353**	**$46,161**
Percent of NCUA total administrative expenses	50.5%	53.6%	52.5%	53.2%	55.3%

Administrative Expenses

Administrative costs increased $5.8 million in 1992 to $46.2 million. Over half of the increase ($3.3 million) came from higher agency administrative costs, with the remaining increase from direct insurance expenses.

Since 1985, all administrative costs (with the exception of direct insurance expenses) of the NCUSIF are paid through an overhead transfer allocation. The NCUSIF transfers cash to the Agency's operating fund to cover a percentage of the Agency's total administrative costs budgeted for a fiscal year. This percentage, which is set by the NCUA Board based upon an annual review, remained at 50% for 1992. For the past five years, the amount of administrative costs, both direct and allocated, are shown above. Direct expenses consist of ALMC operating costs, the costs of providing training and equipment to state examiners, and other insurance expense.

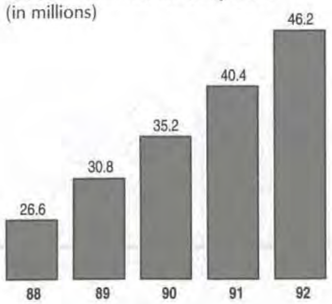
Insurance Losses

The NCUSIF, under full accrual accounting, incurs insurance losses when loss reserves are established for those credit unions which management considers the greatest risk to the Fund (CAMEL Code 4&5). Moneys spent on failed institutions are not considered insurance losses (cash basis accounting); they are recorded as charges to the loss reserves.

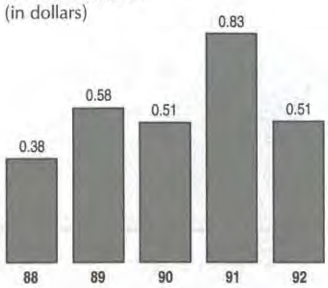
Credit unions coded 4 and 5 are divided into two groups for reserve evaluation purposes. Those having insured shares of $20 million or greater are reviewed case-by-case by both the Regional and Washington offices, while those in the under $20 million category are pooled and a historical loss factor is applied to their total insured shares. Pooled credit unions having projected losses of $1 million or greater are removed from the pool and established as a specific case. All the individual credit union reserves and pool reserves are reviewed at year-end by the Fund's independent accountants. In some cases, the accountants will visit a credit union to further assess potential loss. The table on the following page shows the changes in the NCUSIF reserve levels and the amount of insurance losses for the past three fiscal years.

Insurance losses for 1992 decreased by 31 percent to $112 million. As a result, losses per $1,000 of insured shares fell from $.83 in 1991 to $.51 for this year. For the past five years, losses per thousand have averaged $.56. As in 1991,

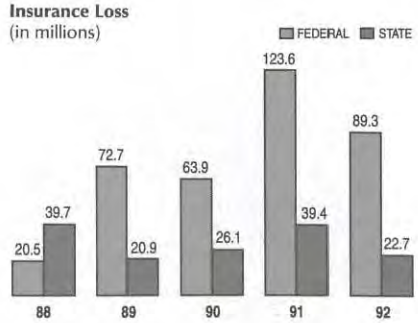
NCUSIF Administrative Expenses
(in millions)



NCUSIF Losses per $1,000 of Insured Shares
(in dollars)



Insurance Loss
(in millions)



Summary of Reserves Established for Estimated Losses from Supervised Credit Unions
(amounts in thousands)

	FY 1990	FY 1991	FY 1992
Reserves–beginning of fiscal year (October 1)	$40,912	$ 72,688	$130,797
Net charges for fiscal year	(58,206)	(104,891)	(122,998)
Provisions for insurance losses	89,982	163,000	112,000
Reserves–end of fiscal year (September 30)	$72,688	$130,797	$119,799

credit unions in the Northeast were the primary causes for large insurance losses in 1992. Approximately half ($62 million) of this year's losses were caused by credit unions located in Region I.

Of the $112 million in losses for 1992, 80 percent was applicable to federal credit unions, compared to 76 percent for 1991. For every $1,000 of insured shares, federal credit unions cost the NCUSIF $0.65, compared to $0.28 for federally insured state-chartered credit unions.

Net Income

Net income for 1992 was a record high of $120 million for the NCUSIF. This was due to the $165 million insurance premium paid in January. Since the premium assessment covered the insurance year period from July 1, 1991 through June 30, 1992, one quarter of the premium was recorded as income for fiscal year 1991. The remaining $124 million was recognized as income for fiscal year 1992. Lower insurance losses also contributed to the record net income. In its 22 years of operations, the NCUSIF has never shown a net loss.

Equity

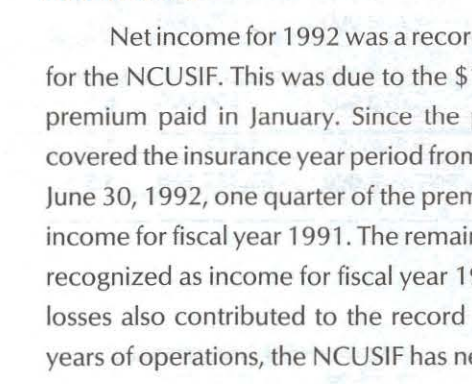
Equity of the NCUSIF grew by $298 million to $2.6 billion during 1992. The growth in equity was due to:

- $175 million increase in accumulated contributions from credit unions due to share growth;
- $120 million in net income for the year; and
- $3 million from credit union conversions.

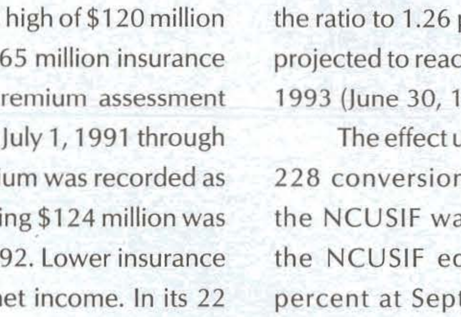
The ratio of equity to insured shares reached 1.28 percent as of June 30, 1992, the end of the insurance year. A new insured share and deposit base of $218 billion was used to calculate the ratio beginning in July 1992, lowering the ratio to 1.26 percent at September 30, 1992. The ratio is projected to reach 1.27 percent by the end of insurance year 1993 (June 30, 1993).

The effect upon the Fund's operating level of this year's 228 conversions of privately insured credit unions to the NCUSIF was negligible. Without the conversions, the NCUSIF equity ratio would still have been 1.26 percent at September 30, 1992.

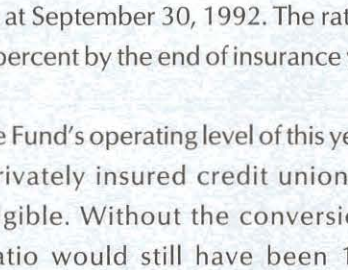
Income and Expense



Growth in Equity



Equity Ratio
(by percent)



MERGERS, LIQUIDATIONS, AND PURCHASE AND ASSUMPTIONS

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Mergers

The number of completed mergers for 1992 was 385 compared to 398 for 1991. Of that number, 33 required some type of assistance from the NCUSIF. The cost of this assistance was $3.4 million. All of the assistance provided was in the form of immediate cash payments to facilitate the mergers. The remaining 352 mergers were completed without any cost to the NCUSIF.

The table to the right summarizes the assisted mergers for fiscal year 1992.

Assisted Mergers Fiscal Year 1992

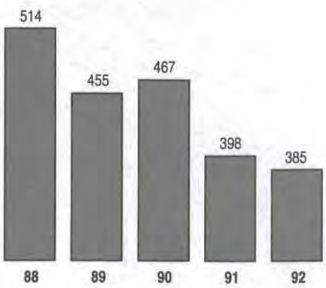
Merging Credit Union / *Continuing Credit Union*	Date Approved	Shares of Merging Credit Union	Cost of Merger	Cost as a Percentage of Shares
Mergers with costs over $150,000:				
Monadnock CU				
Service FCU	06/01/92	$ 7,242,000	$ 554,000	7.7%
Tri-County CU				
Financial Plus CU	11/07/91	6,151,000	432,500	7.0
Member's First CU				
Cummings Employees CU	04/09/92	33,238,000	400,000	1.2
Furr's Employees FCU				
Amarillo Pantex FCU	03/31/92	6,032,000	195,000	3.2
Stockham FCU				
Sloss FCU	07/17/92	3,817,000	194,191	5.1
Bisbee Community CU				
Lake Region CU	06/01/92	1,888,000	172,000	9.1
Dakota Prairie CU				
Lemmon FCU	05/01/92	2,478,000	150,000	6.1
All other assisted mergers—26		36,860,000	1,279,477	3.5
Total assisted mergers—33		**$97,706,000**	**$3,377,168**	**3.5%**

Liquidations

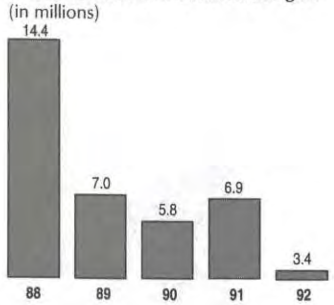
In fiscal year 1992, there were 110 liquidations of federally insured credit unions. Of this number, 81 were involuntary liquidations which cost the Fund $33 million as of September 30, 1992. The remaining 29 were voluntary liquidations, completed without any loss to the Fund.

The largest liquidation loss in 1992 resulted from the failure of Blue Hill Federal Credit Union located in Brookline, Massachusetts. This credit union was chartered in 1921 to serve persons who lived or worked in the Boston neighborhood of Dorchester. In 1986, the credit union converted to a federal charter and expanded its field of membership to all individuals who lived or worked in the eight eastern counties of the state. It was placed in conservatorship in May 1990, due to insolvency caused primarily by commercial real estate loan losses. Capable management was then engaged and the emphasis was changed to traditional products and services in an effort

Number of Credit Union Mergers



Losses from NCUSIF Assisted Mergers
(in millions)



to restore viability. It soon became apparent that neither solvency nor profitable operations could be restored within a reasonable period of time. At this point, a search began for a suitable merger or purchase and assumption (P&A) partner. In December 1991, the credit union was liquidated and entered into a P&A transaction with Grove Bank of Brookline, Massachusetts. The cost of liquidating the credit union was $12.1 million as of the end of the fiscal year.

Frequently, involuntary liquidations become P&As similar to the Blue Hill FCU situation mentioned above. In a P&A transaction, the Fund acquires segments of the liquidating credit union's assets and liabilities, and the remaining assets and liabilities are "merged" into an acquiring credit union. During 1992, 40 of the 81 involuntary liquidations became P&As requiring assistance from the NCUSIF. (P&As are discussed in further detail following this section.) The tables on this page summarize NCUSIF liquidations.

Involuntary Liquidations Fiscal Year 1992

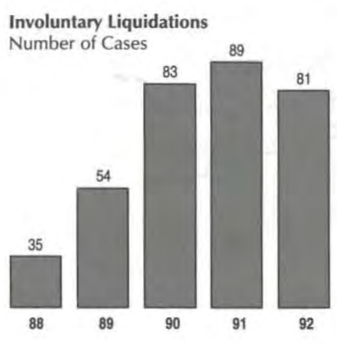
Liquidated Credit Union	Date of Liquidation	Shares Outstanding When Credit Union Closed	Cost of Liquidation	Cost as a Percentage of Shares
Liquidations with costs over $1,000,000:				
Blue Hill FCU*	12/06/91	$ 0	$12,072,000	100.0%
Kasa Lithuanian FCU	07/31/92	41,395,000	9,639,000	23.3
Gotham Area FCU	07/21/92	22,422,000	6,770,000	30.2
Central Valley Consumers FCU	02/19/92	4,696,000	1,554,000	33.1
Teamsters Joint Council #64 FCU	01/16/92	10,948,000	1,063,000	9.7
All other involuntary liquidations–76		45,396,000	1,898,000	4.2
Total involuntary liquidations–81		**$124,857,000**	**$32,996,000**	**26.4%**

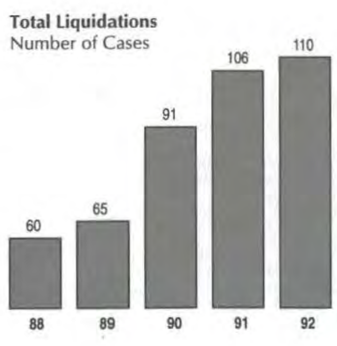
* Shares of credit union were assumed by another thrift institution

Involuntary Liquidations: Five-Year History

Fiscal Year	1988	1989	1990	1991	1992
Number of involuntary liquidations commenced	35	54	83	89	81
Shares paid (thousands)*	$36,110	$21,687	$70,875	$117,710	$124,857
Percentage of shares paid to total insured shares (June 30)	0.023%	0.013%	0.040%	0.067%	0.057%
Average payout per credit union liquidated (thousands)	$97	$402	$854	$1,323	$1,541

* Does not include Purchase and Assumptions





Purchase and Assumptions (P&A)

As mentioned earlier, a P&A transaction initially begins as an involuntary liquidation; however, in accordance with a P&A agreement, some of the assets and in most cases all of the shares of the "assumed" credit union are transferred to a "purchasing" credit union. A P&A arrangement contains elements of both involuntary liquidation and merger, and is less costly than an involuntary liquidation, but more costly than a merger. To facilitate a P&A, the NCUSIF usually provides some form of cash assistance to the acquiring credit union similar to the assistance provided in a merger agreement.

In 1992, there were 40 P&As requiring assistance from the NCUSIF. Combined with a liquidation cost of $12.1 million, and a P&A cost of $27 million, the $39.1 million total loss from Blue Hill Federal Credit Union ranked second in the largest insurance loss ever for the NCUSIF. The following table summarizes P&As for 1992.

Purchase and Assumptions Fiscal Year 1992

Assumed Credit Union *Purchasing Credit Union*	Date Approved	Cost of P&A	Cost as a Percentage of Shares
Blue Hill FCU			
Grove Bank	12/06/91	$27,084,000	25.8%
Corpus Christi FCU			
Liberty Bank & Trust Company	09/25/92	13,084,000	60.4
Western Horizons FCU			
Arizona FCU	12/17/91	7,600,000	8.2
Pope FCU			
Pentagon FCU	09/30/91	4,352,000	18.0
Heritage Community CU			
Workers CU	07/31/92	3,462,000	7.0
England FCU			
La Capitol FCU	01/16/92	3,100,000	13.0
Centex FCU			
SEFCU FCU	06/29/92	2,908,000	8.9
Cape Cod FCU			
Service FCU	01/17/92	1,192,000	6.1
All Other Assisted P&As–32		8,201,000	4.6
Total–40 Cases		**$70,982,000**	**12.9%**

FINANCIAL REPORTING PRACTICES

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The NCUSIF has completed 10 years of full accrual accounting under Generally Accepted Accounting Principles (GAAP). GAAP accounting for any insurance program requires adequate reserves for known and anticipated losses. Deposit insurance accounting under GAAP requires two such reserves: One anticipates future losses under guarantees issued when credit unions are merged with assistance or their assets are sold to third parties. The other reserve estimates losses from problem credit unions, i.e., those currently classified as weak or unsatisfactory.

Future insurance losses from problem credit unions are difficult to judge. However, an accurate estimate of future losses, based on historical data and case-by-case reviews, will fairly disclose losses that should be recognized today. The confidence credit union members can place in the Fund is directly related to the ability of its management to identify and control those losses.

The Fund's adherence to GAAP is unique among the federal deposit insurers. The NCUSIF is the only Federal deposit insurance fund that establishes balance sheet reserves for estimated future losses for all problem institutions. Moreover, the increased financial disclosure required by GAAP strengthens the reliance which can be placed upon the Fund's financial statements. To reinforce this reporting standard, the Fund has retained Price Waterhouse, an international accounting firm, to audit the Fund's financial statements, including its loss estimates. Price Waterhouse's unqualified report on the Fund's financial statements is shown in full beginning on the this page.

INSURANCE FUND REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

Report of Independent Accountants

To the Board of the National Credit Union Administration

In our opinion, the statements appearing on pages 24 to 29 of this report present fairly, in all material respects, the financial position of the National Credit Union Administration Share Insurance Fund at September 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration Share Insurance Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the financial audit requirements of *Government Auditing Standards* issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Price Waterhouse
Washington, DC
November 12, 1992

Balance Sheets

ASSETS	September 30, 1992	1991
Investments (Note E)	$ 1,993,802,203	$ 1,923,144,265
Cash, including cash equivalents of $417,395,214 and $235,263,811 (Note E)	417,400,699	235,313,966
Premiums receivable	32,614,959	164,941,088
Accrued interest receivable	126,278,851	37,195,377
Assets acquired in assistance to insured credit unions, net of allowance for losses of $0 and $22,200,000	126,278,851	123,484,567
Capital notes advanced to insured credit unions	101,227,509	35,100,928
Notes receivable—National Credit Union Administration Operating Fund (Note H)	11,899,432	1,980,766
Other notes receivable (Note F)	12,797,592	12,833,504
Other receivables		2,108,774
Total assets	**$2,696,021,245**	**$2,536,031,235**

LIABILITIES AND FUND CAPITALIZATION	1992	1991
Estimated losses from supervised credit unions (Note C)	$ 119,799,000	$ 130,797,000
Estimated losses from asset and merger guarantees (Note C)	4,671,000	4,116,000
Amounts due to insured shareholders of liquidated credit unions	12,685,022	18,158,495
Unearned premium revenue		123,705,816
Due to National Credit Union Administration Operating Fund (Note H)	1,599,704	1,662,690
Accounts payable	1,817,331	466,860
Total liabilities	**140,572,057**	**278,906,861**
Fund capitalization:		
Insured credit unions' accumulated contributions (Note D)	1,992,851,578	1,814,410,269
Insurance fund balance	562,597,610	442,714,105
Total fund capitalization	**2,555,449,188**	**2,257,124,374**
Commitments (Notes C and H)		
Total liabilities and fund capitalization	**$2,696,021,245**	**$2,536,031,235**

The accompanying notes are an integral part of these financial statements.

Statements of Operations

REVENUE	Year Ended September 30, 1992	1991
Interest	$ 148,685,417	$ 162,979,245
Premiums	123,874,279	41,235,272
Other	5,512,054	3,194,715
Total revenue	**$ 278,044,750**	**$207,409,232**

EXPENSES		
Administrative expenses (Note H)		
Employee wages and benefits	$ 29,323,187	$ 25,928,471
Travel	4,684,639	4,314,378
Rent, communications, and utilities	2,489,131	2,853,600
Contracted services	2,104,860	1,723,415
Other	7,559,428	5,533,120
Total administrative expenses	**46,161,245**	**40,352,984**
Provision for insurance losses	112,000,000	163,000,000
Total expenses	**158,161,245**	**203,352,984**
Excess of revenue over expenses	**$ 119,883,505**	**$ 4,056,248**

Statements of Insured Credit Unions' Accumulated Contributions and Fund Balance

	Insured Credit Unions' Accumulated Contributions	Insurance Fund Balance
Balance at September 30, 1990	$ 1,613,976,947	$ 438,657,857
Contributions from insured credit unions	216,624,353	
Refunds of contributions from insured credit unions	(16,191,031)	
Excess of revenue over expenses		4,056,248
Balance at September 30, 1991	1,814,410,269	442,714,105
Contributions from insured credit unions	188,593,176	
Refunds of contributions from insured credit unions	(10,151,867)	
Excess of revenue over expenses		119,883,505
Balance at September 30, 1992	**$1,992,851,578**	**$562,597,610**

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

	Year Ended September 30, 1992	1991
Cash flows from operating activities:		
Excess of revenue over expenses	$ 119,883,505	$ 4,056,248
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Amortization of investment premiums	19,702,889	13,377,322
Provision for insurance losses	112,000,000	163,000,000
Payments relating to losses from supervised credit unions and asset and merger guarantees, net	(122,443,000)	(103,799,000)
Changes in operating assets and liabilities:		
Premium receivable	164,941,088	(164,941,088)
Accrued interest receivable	4,580,418	16,479,451
Assets acquired from credit unions, net	(2,794,284)	(16,881,187)
Advances to credit unions	(66,126,581)	32,789,918
Amounts due to National Credit Union Administration Operating Fund	(62,986)	1,036,630
Other notes receivable	35,912	180,184
Other receivables	2,108,774	61,293
Amounts due to insured shareholders of liquidated credit unions	(5,473,473)	2,953,616
Unearned premium revenue	(123,705,816)	123,705,816
Accounts payable	1,350,471	164,418
Net cash provided by operating activities	103,996,917	72,183,621
Cash flows from investing activities:		
Investments, net	(90,360,827)	(121,635,875)
Issuance of note receivable– National Credit Union Administration Operating Fund	(10,062,666)	
Collections on note receivable– National Credit Union Administration Operating Fund	72,000	72,000
Net cash used in investing activities	(100,351,493)	(121,563,875)
Cash flows from financing activities:		
Contributions from insured credit unions	188,593,176	216,624,353
Refunds of contributions from insured credit unions	(10,151,867)	(16,191,031)
Net cash provided by financing activities	178,441,309	200,433,322
Net increase in cash and cash equivalents	182,086,733	151,053,068
Cash and cash equivalents at beginning of year	235,313,966	84,260,898
Cash and cash equivalents at end of year	$ 417,400,699	$ 235,313,966

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1992

Note A—Organization and Purpose

The National Credit Union Share Insurance Fund (the Fund) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) which was amended in 1984 by Public Law 98-369 as discussed in Note D. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is $100,000 per shareholder account.

There are no significant concentrations of member share deposits within any region in the United States. Concentrations of member shares do exist within the manufacturing, governmental, and educational industries.

NCUA exercises direct supervisory authority over federal credit unions and coordinates required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semiannual basis and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if the difficulties are considered by the Fund to be temporary or correctable. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is not feasible, a merger partner may be sought. If the assistance or merger alternatives are not practical, the credit union is liquidated.

The first form of special assistance are waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the Fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are sometimes guaranteed to third-party purchasers by the Fund.

Note B—Significant Accounting Policies

Cash Equivalents and Investments

Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Investments are stated at cost adjusted for amortization of premium and accretion of discount. Cash equivalents are highly liquid investments with original maturities of three months or less.

Advances to Insured Credit Unions

The Fund provides cash assistance in the form of interest and non-interest bearing capital notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing operations.

Assets Acquired from Credit Unions

The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring nonperforming assets of a credit union experiencing financial difficulty. Such assets acquired, net of established allowances, are recorded at their estimated net realizable value.

Premium Revenue

The Fund may assess each insured credit union a regular annual premium of 1/12 of 1 percent of its insured member share deposits outstanding as of June 30 of the preceding fiscal year. The NCUA Board assessed such a premium for the insurance year ending June 30, 1992. This assessment will be recognized as revenue on a pro rata basis over the insurance year and, therefore, resulted in premium income of $123,874,279 and $41,235,272 for the years ended September 30, 1992 and 1991, respectively. The NCUA Board waived the 1993 and 1991 share insurance premiums.

Income Taxes

The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

Note C—Provision for Insurance Losses

Management identifies credit unions experiencing financial difficulty through the supervisory and examination process. The estimated losses from these supervised credit unions are determined by management based on a case-by-case evaluation.

In exercising its supervisory function, the Fund will, at times, extend guarantees of assets (primarily loans) to third party purchasers or to credit unions to facilitate mergers; such guarantees totaled approximately $73,600,000 and $6,700,000 at September 30, 1992 and 1991, respectively. The estimated losses from asset and merger guarantees are determined by management based on a case-by-case evaluation.

In addition, the Fund guarantees loans made by the Central Liquidity Facility (CLF) and Corporate Credit Unions to credit unions. Total outstanding line-of-credit guarantees at September 30, 1992 and 1991 are approximately $1,900,000 and $116,290,000, respectively. Total undivided earnings deficit guarantees of credit unions at September 30, 1992 and 1991 are approximately $126,240,000 and $484,000,000, respectively.

The activity in the reserves for estimated losses from supervised credit unions and asset and merger guarantees for the years ended September 30, 1992 and 1991 was as follows:

	Year ended September 30,	
	1992	1991
Beginning balance	$134,913,000	$ 75,712,000
Provision for insurance losses	112,000,000	163,000,000
Insurance losses and transfers to the allowance for losses on acquired assets	(157,827,789)	(125,778,849)
Recoveries	35,384,789	21,979,849
Ending Balance	**$124,470,000**	**$134,913,000**

Note D—Fund Capitalization

Title VIII of Public Law 98-369, effective July 14, 1984, provided for the capitalization of the Fund through the contribution by each insured credit union of an amount equal to 1 percent of the credit union's insured shares to be paid initially by January 21, 1985, and to be adjusted annually thereafter. The annual adjustment of the contribution is based on member share deposits outstanding as of June 30 of the preceding fiscal year and is billed on a calendar year basis. The 1 percent contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, insurance coverage is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The aggregate contribution of $1,992,851,578 at September 30, 1992, consists of $1,908,978,555 of insured credit union accumulated contributions and $83,873,023 of the previously accumulated fund balance which was designated by the NCUA Board as a component of credit union accumulated contributions in 1984. Total insured shares at June 30, 1992 were $218,398,000,000 for which additional net contributions of approximately $191,128,422 will be payable to the Fund in January 1993.

The law requires that upon receipt of the 1 percent contribution, the total fund balance must be maintained at a normal operating level to be determined by the NCUA Board. The NCUA Board has determined this level to be a range of 1.25 percent to 1.3 percent of insured shares. The level at September 30, 1992 and 1991 was 1.26 percent and 1.23 percent, respectively.

The NCUA Board did not declare any dividends during 1992 or 1991.

Note E—Cash Equivalents and Investments

All cash received by the Fund which is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

Cash equivalents and investments are shown in the table on the following page.

Total investment purchases during fiscal years 1992 and 1991 are approximately $940,468,750 and $836,304,000, respectively. Investment maturities during fiscal years 1992 and 1991 were approximately $850,000,000 and $700,000,000, respectively. There were no investment sales during fiscal 1992 or 1991.

Note F—Other Notes Receivable

The Fund entered into both secured and unsecured term notes related to the sale of assets held by the Asset Liquidation Management Center and recoveries on failed credit unions. The notes are being repaid in monthly principal installments with terms ranging from one to thirty years and interest rates ranging from 5.66 percent to 11 percent.

Note G—Available Borrowings

The Fund is authorized under the Federal Credit Union Act to borrow from the Treasury of the United States upon authorization by the NCUA Board to a maximum of $100,000,000 outstanding at any one time. The Central Liquidity Facility of NCUA is authorized to make advances to the Fund under such terms and conditions as may be established by the NCUA Board. No amounts were borrowed from these sources during 1992 or 1991.

Note H—Transactions with NCUA Operating Fund

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. NCUA charges the Fund for these services based on an annual allocation factor approved by the NCUA Board of derived from a study conducted by these Funds of actual usage. The allocation factor was 50 percent to the Fund and

	September 30, 1992				
	Yield to Maturity at Market	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Cash Equivalents					
U.S. Treasury Securities					
Overnight funds	3.77%	$ 417,395,214			$ 417,395,214
U.S. Treasury Securities					
Maturities up to one year	8.51%	956,713,851	$20,973,649		977,687,500
Maturities after one year through five years	7.01%	1,037,088,352	24,661,648		1,061,750,000
		$1,993,802,203	**$45,635,297**		**$2,039,437,500**

	September 30, 1991				
	Yield to Maturity at Market	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Cash Equivalents					
U.S. Treasury Securities					
Overnight funds	6.84%	$ 235,263,811			$ 235,263,811
U.S. Treasury Securities					
Maturities up to one year	9.04%	854,466,280	$12,705,595		867,171,875
Maturities after one year through five years	8.38%	1,068,677,985	17,976,830		1,086,654,815
		$1,923,144,265	**$30,682,425**		**$1,953,826,690**

50 percent to the NCUA Operating Fund in the years ended September 30, 1992 and 1991. The cost of services provided by the NCUA Operating Fund was approximately $41,270,000 and $37,924,000 for 1992 and 1991, respectively, and includes pension contributions of approximately $2,675,000 and $2,292,000 to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans for 1992 and 1991, respectively.

In fiscal year 1988, the Fund entered into a $2,160,766 thirty-year unsecured term note with the NCUA Operating Fund. The note is being repaid in monthly principal installments of $6,000 with interest at a variable rate. The average interest rate during fiscal year 1992 and 1991 was approximately 6.77 percent and 7.96 percent, respectively. The note receivable balance at September 30, 1992 and 1991 was $1,836,766 and $1,908,766, respectively.

In fiscal year 1992, the Fund entered into a commitment to fund a $41,975,000 thirty-year unsecured term note with the NCUA Operating Fund. The monies are being advanced to the NCUA Operating Fund as needed to fund the costs of constructing a new building. Interest on monies advanced is paid monthly at a variable rate. The terms of repayment of the principal balance will become effective the month immediately following occupancy of the building. The note will be repaid in 360 equal monthly installments plus interest at a variable rate. The average interest rate during fiscal year 1992 was approximately 6.77 percent and interest paid during fiscal year 1992 totaled $375,637. The note receivable balance at September 30, 1992 was $10,062,666.

The variable rate on both term notes is equal to the Fund's prior month yield on investments.

The NCUA Operating Fund leases certain office space under lease agreements which expire through 1998. The future minimum aggregate lease payments through expiration of the leases are approximately $5,103,890 at September 30, 1992. Based on the allocation factor approved by the NCUA Board of Directors for fiscal year 1992, the Fund will reimburse the NCUA Operating Fund for approximately 50 percent of the future lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $1,548,000 and $1,478,000 for 1992 and 1991, respectively. The amounts were derived using the current annual allocation factor.

Ten Year Trend

Fiscal Year

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
INCOME (thousands)										
Regular premium—federal	$33,878	$40,404	$10,508	—	—	—	—	—	$26,174	$78,889
Regular premium—state	17,374	19,781	5,208	—	—	—	—	—	15,061	44,985
Special premium—federal	34,561	—	—	—	—	—	—	—	—	—
Special premium—state	17,725	—	—	—	—	—	—	—	—	—
Interest income	20,141	30,088	83,789	121,080	112,407	127,075	146,612	159,096	162,979	148,659
Other	1,357	878	708	346	339	530	2,188	1,168	3,195	5,512
Total income	**$125,036**	**$91,151**	**$100,213**	**$121,426**	**$112,746**	**$127,605**	**$148,800**	**$160,264**	**$207,409**	**$278,045**
EXPENSES (thousands)										
Operating	$10,315	$10,426	$10,927	$16,822	$21,466	$26,588	$30,817	$35,153	$40,353	$46,161
Insurance losses	55,060	28,068	25,472	37,864	55,732	60,122	93,608	89,982	163,000	112,000
Losses on investment sales	1,796	2,326	—	—	—	—	—	—	—	—
Other	577	—	—	—	—	—	—	—	—	—
Total expenses	**$67,748**	**$40,820**	**$36,399**	**$54,686**	**$77,198**	**$86,710**	**$124,425**	**$125,135**	**$203,353**	**$158,161**
Net Income (thousands)	**$57,288**	**$50,331**	**$63,814**	**$66,740**	**$35,548**	**$40,894**	**$24,375**	**$35,130**	**$4,056**	**$119,884**
FISCAL YEAR-END DATA										
Total equity (thousands)	**$235,209**	**$285,540**	**$1,119,356**	**$1,411,391**	**$1,602,251**	**$1,855,911**	**$1,972,502**	**$2,052,635**	**$2,257,124**	**$2,555,449**
Equity as a percentage of shares in NCUSIF-insured credit unions	0.292%	0.313%	1.28%	1.23%[1]	1.23%	1.24%	1.25%	1.25%	1.23%	1.26%
Contingent liabilities (thousands)	**$67,338**	**$23,930**	**$4,131**	**$4,684**	**$5,572**	**$3,407**	**$10,663**	**$7,803**	**$6,734**	**$73,594**
Contingent liabilities as a percentage of equity	29.7%	8.4%	0.4%	0.3%	0.3%	0.2%	0.5%	0.4%	0.3%	2.9%
NCUSIF loss per $1,000 of insured shares	**$0.77**	**$0.34**	**$0.26**	**$0.30**	**$0.38**	**$0.38**	**$0.58**	**$0.51**	**$0.83**	**$0.51**
OPERATING RATIOS										
Premium income	82.8%	66.0%	15.7%	—	—	—	—	—	19.9%	44.5%
Interest income	16.1%	33.0%	83.6%	99.7%	99.7%	99.6%	98.5%	99.3%	78.6%	53.5%
Other income	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	2.0%
Operating expenses	8.3%	11.4%	10.9%	13.9%	19.1%	20.8%	20.7%	21.9%	19.5%	16.6%
Insurance losses	44.0%	30.8%	25.4%	31.2%	49.4%	47.1%	62.9%	56.1%	78.6%	40.3%
Other expenses	1.9%	2.6%	—	—	—	—	—	—	—	—
Total expenses	**54.2%**	**44.8%**	**36.3%**	45.1%	68.5%	67.9%	83.6%	78.1%	98.1%	56.9%
Net income	**45.8%**	**55.2%**	**63.7%**	**54.9%**	**31.5%**	**32.1%**	**17.4%**	**21.9%**	**1.9%**	**43.1%**
INVOLUNTARY LIQUIDATIONS COMMENCED										
Number	50	38	31	36	33	35	54	83	89	81
Share payouts (thousands)	$9,954	$34,840	$15,499	$22,168	$3,213	$36,110	$21,687	70,875	$117,710	$124,857
Share payouts as a percentage of total insured shares	0.012%	0.039%	0.014%	0.020%	0.002%	0.023%	0.013%	0.040%	0.067%	0.057%

[1] In July 1986, the NCUA Board approved a change in the insurance year from December 31 to June 30. Effective with fiscal year 1986, the equity percentage is based upon June 30 insured shares.

Ten Year Trend
End of Calendar Year

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992[1]
SHARES IN NCUSIF-INSURED CREDIT UNIONS (millions)[2]										
Federal credit unions	$49,889	$57,927	$71,615	$86,709	$94,927	$104,431	$109,653	$117,881	$127,316	$135,000
State credit unions	24,850	26,327	37,917	47,476	51,417	55,217	57,518	62,082	72,467	85,000
Total shares	**$74,739**	**$84,254**	**$109,532**	**$134,185**	**$146,344**	**$159,648**	**$167,171**	**$179,963**	**$199,783**	**220,000**
NUMBER OF MEMBER ACCOUNTS IN NCUSIF-INSURED CREDIT UNIONS (thousands)										
Federal credit unions	26,700	28,170	29,576	31,041	32,067	57,235	53,301	55,222	57,077	59,000
State credit unions	13,460	15,205	15,689	17,362	17,999	27,376	32,547	30,726	33,646	37,000
Total	**40,160**	**43,375**	**45,265**	**48,403**	**50,066**	**84,611**	**85,848**	**85,948**	**90,723**	**96,000**
NUMBER OF NCUSIF-INSURED CREDIT UNIONS										
Federal credit unions	10,963	10,547	10,125	9,758	9,401	9,118	8,821	8,539	8,229	8,000
State credit unions	4,915	4,645	4,920	4,935	4,934	4,760	4,552	4,349	4,731	4,800
Total	**15,878**	**15,192**	**15,045**	**14,693**	**14,335**	**13,878**	**13,373**	**12,888**	**12,960**	**12,800**
Shares in NCUSIF-insured credit unions as a percentage of all credit union shares	83.8%	82.0%	91.6%	96.4%	96.0%	96.1%	96.0%	96.0%	97.6%	98.0%
State credit union portion of insured shares	33.3%	31.3%	34.6%	35.4%	35.1%	34.6%	34.4%	34.6%	36.3%	38.6%

[1] Estimated amounts as of December 31, 1992.

[2] Insured shares in Federally Insured Natural Person Credit Unions only.

Ten Year Trend
End of Fiscal Year

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
ASSISTANCE TO AVOID LIQUIDATION										
Capital notes and other cash advances outstanding	$31,838	$36,413	$33,266	$22,396	$5,031	$5,117	$39,360	$67,891	$35,101	$101,228
Noncash guaranty accounts	$52,736	$54,213	$36,946	$39,903	$39,564	$41,127	$53,959	$98,576	$179,595	$88,040
Number of active cases	113	72	45	30	16	25	43	42	51	25
NUMBER OF PROBLEM CASE INSURED CREDIT UNIONS (CODE 4 and 5)										
Number	1,124	872	742	794	929	1,022	794	678	685	608
Shares (millions)	$4,652	$4,071	$4,055	$6,611	$8,135	$10,600	$8,400	$9,400	$10,400	$7,400
Problem case shares as a percentage of insured shares	5.9%	4.7%	3.9%	4.9%	4.9%	6.3%	4.8%	4.9%	5.2%	3.4%
MERGERS—FISCAL YEAR										
Assisted	203	92	63	58	55	50	60	81	41	33
Unassisted	503	550	514	515	489	464	395	386	357	352

LEGISLATIVE HISTORY AND ORGANIZATION

★ ★ ★

The National Credit Union Share Insurance Fund (NCUSIF) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) on October 19, 1970 without taxpayer money. The Fund was established as a revolving fund in the Treasury of the United States under the management of the Administrator of NCUA (now the NCUA Board). The Act directed the Administrator to insure member accounts in all federal credit unions and to qualifying state credit unions that requested insurance. The maximum amount of insurance was set initially at $20,000 per member account. This maximum was raised to $40,000 by Public Law 93-495 (October 29, 1974) and the current level of $100,000 by Public Law 96-221 (March 31, 1980). Public Law 98-369 July 18, 1984) provided for the capitalization of the NCUSIF by having each credit union deposit one percent of its insured shares into the Fund.

Money in the Fund can be used by the Board for insurance payments, for assistance authorized in the Federal Credit Union Act in connection with the liquidation or threatened liquidation of insured credit unions, and for expenses incurred in connection with carrying out the Act's purposes.

Organization

NCUA has a central office in Washington, DC, and six regional offices in Albany, New York; Washington, District of Columbia; Atlanta, Georgia; Itasca, Illinois; Austin, Texas; and Concord, California. Of the Agency's 966 employees, 787 are assigned to the regions. The regional offices are responsible for examining and supervising all federal and federally insured state-chartered credit unions. The regional offices perform the initial reviews of insurance applications and requests for financial assistance under Section 208 of the Federal Credit Union Act. They also are responsible for performing continued insurability reviews and assisting the ALMC in the liquidation process.

The NCUA Board and its staff are located in the central office in Washington, DC. The central office's primary role is to provide support to regional offices. The accounting records and investments for the Fund are also managed from Washington, DC.

Seated left to right, Insurance Director, Dennis Winans, Office of Examination and Insurance Director D. Michael Riley, Operations Director, Alonzo Swann. Standing, Risk Managment Director Phillip Crider, Deputy Director, Office of Examination and Insurance Dave Marquis, and Supervision Director Kent Buckham.

NCUA Board
Roger W. Jepsen, *Chairman*
Shirlee Bowné, *Vice Chairman*
Robert A. Swan, *Board Member*

Donald E. Johnson, *Executive Director*
Robert M. Fenner, *General Counsel*

Office of Examination and Insurance
D. Michael Riley, *Director*
David Marquis, *Deputy Director*

Department of Insurance
Dennis Winans, *Director*

Department of Operations
Alonzo Swann, *Director*

Department of Risk Management
Phillip Crider, *Director*

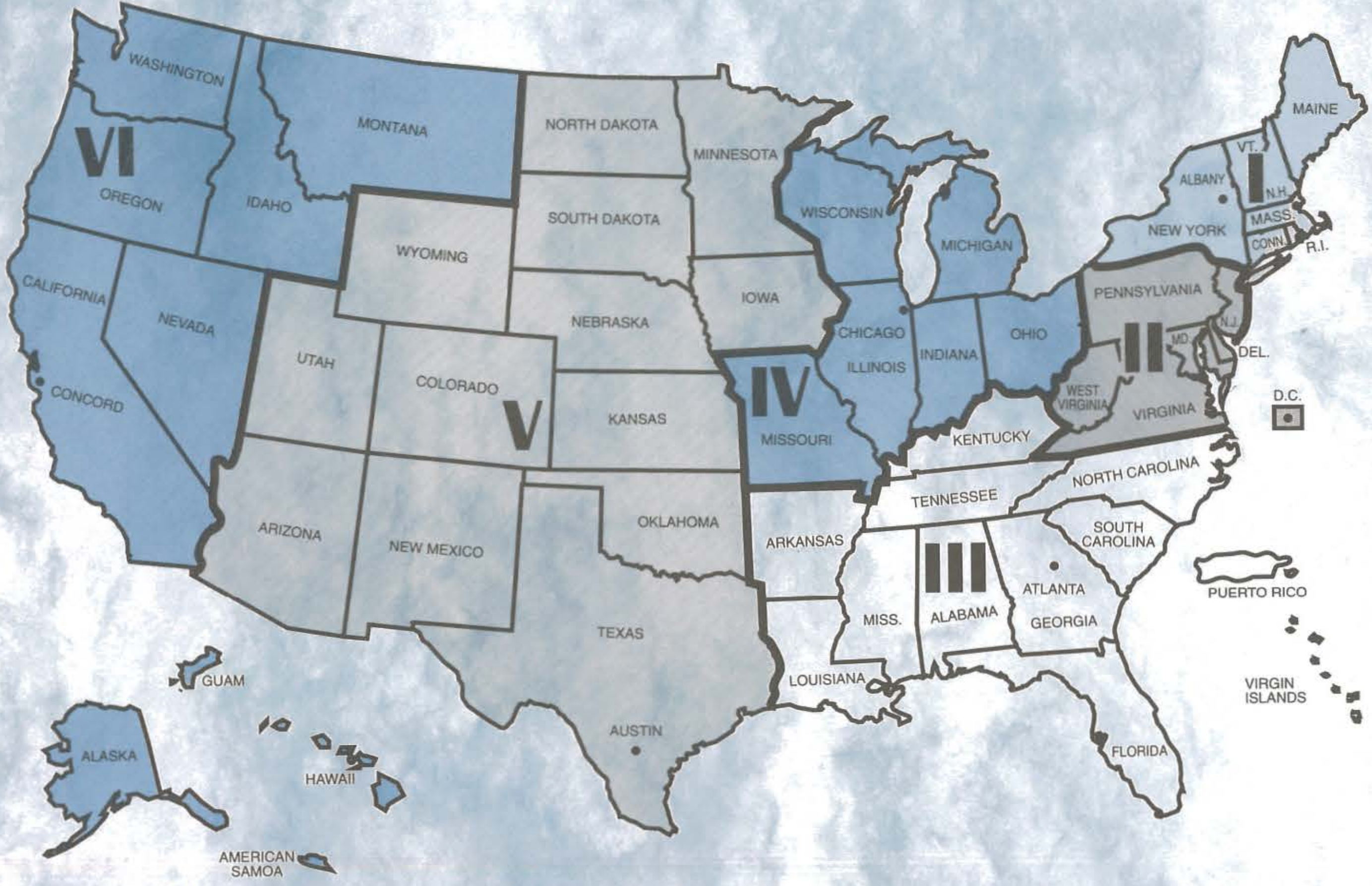
Department of Supervision
Kent Buckham, *Director*

1776 G Street, Northwest
Washington, DC 20456
(202) 682-9600

NATIONAL CREDIT UNION ADMINISTRATION

★ ★ ★

REGIONAL OFFICES



Region I (Albany)

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(518) 464-4180

Region II (Capital)

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Region III (Atlanta)

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Region IV (Chicago)

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Itasca, IL 60143
(708) 250-6000

Region V (Austin)

4807 Spicewood Springs Road
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(512) 482-4500

Region VI (Pacific)

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(510) 825-6125

ALMC (Austin)

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(512) 795-0999

ALMC Suboffice

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National Credit Union Administration
Washington, DC 20456

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NATIONAL CREDIT UNION ADMINISTRATION

CENTRAL LIQUIDITY FACILITY

1992 ANNUAL REPORT

★ CONTENTS ★

★ ★ ★

THE MISSION OF THE NATIONAL CREDIT UNION ADMINISTRATION IS TO ENSURE THE SAFETY AND SOUNDNESS OF CREDIT UNIONS BY PROVIDING APPROPRIATE REGULATION AND SUPERVISION WHILE EFFECTIVELY MANAGING THE AGENCY'S RESOURCES AND THE SHARE INSURANCE FUND.

★ ★ ★

The Congress finds that the establishment of a National Credit Union Central Liquidity Facility is needed to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.

Central Liquidity Facility Staff

Left to right: Dan Chapin, Financial Analyst; Ron Lewandowski, Treasurer; Bob Jennings, Treasurer.

National Credit Union Administration
Central Liquidity Facility
1775 Duke Street
Alexandria, Virginia 22314-3428

For Members in DC Metro Area:
703-518-6490
All Other Inquiries:
1-800-755-6010

★ LETTER FROM THE BOARD ★

Roger W. Jepsen,
Chairman

Shirlee P. Bowné,
Vice Chairman

Robert H. Swan
Member of the Board

One characteristic that distinguishes a satisfactory organization from an outstanding organization is its commitment to serving the needs of the community. The Central Liquidity Facility (CLF) has been serving its members for 13 years, along the way establishing itself as a vital part of the credit union system.

The CLF's success can be attributed to its self-supporting financial status, its complementary working relationship with the corporate system, and its sensitivity to each member's particular needs.

Since 1979, the CLF has made 700 loans totaling nearly $6 billion, ranging in amount from a low of $13,000 to a high of $70 million. Although most of the loans have been for short-term periods of 30 to 90 days, some loans were made for overnight clearings.

There have been 15 long-term loans totaling a little over $92 million with an average life of four years. Loans have been made to provide liquidity during factory closings, seasonal transitions, investment and interest rate restructuring programs, and conservatorship and workout plan proceedings by regulators.

The CLF's credit facilities are provided through the U.S. Treasury's Federal Financing Bank and backed by the credit standing of the U.S. Government. Because of this secure credit backing, credit unions benefit, both by a potentially lower cost of funds and the certainty that funds will always be available in a crisis.

The CLF is a specialized industry lender concerned solely with meeting the needs of credit unions. It has not had any losses from any of its activities during its first 13 years of operation. It stands ready to serve the most important aspect of the entire credit union system—the credit union member.

★ FINANCIAL SUMMARY ★

During fiscal year 1992, in addition to meeting its statutory mission, the CLF paid a market-based dividend to shareholders and exceeded the reserve targets established by the NCUA Board. Net income of $20.3 million before dividends equals a 3.79 percent return on members' capital and deposits for the fiscal year 1992.

Operating expenses of $775,000 were below the Congressionally approved $964,000 operating budget set for the CLF during fiscal year 1992.

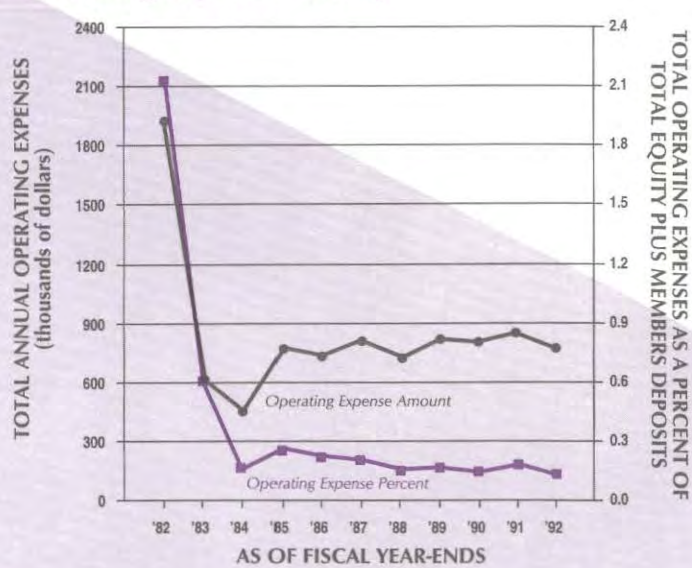
The cooperative relationship between the corporate network and the CLF continues to provide efficiencies for CLF services that help to keep CLF's fixed administrative operating costs to a minimum. The operating expense ratio for 1992 was 3.5 percent.

Retained earnings at September 30, 1992, stood at $10.3 million, an increase of 7 percent during the year. Although CLF has not had any losses from its lending and investment activities during its thirteen years of operation, this reserve account is a recognition that CLF activities are not completely risk free. Investment of these reserves also provides income which at current interest rates allows CLF to meet more than half of its operating expenses. The NCUA Board has established a short-term management goal of increasing reserves to the level where the earnings on these reserves will cover the CLF's operating expenses and a long range goal of 4 percent of assets.

Financial Highlights
Central Liquidity Facility
(12 months ending September 30, 1992)

	1992	1991
OPERATING RESULTS		
Net Income	$ 20,270,000	$ 29,620,000
Dividends	$ 19,551,000	$ 28,987,000
Addition to Retained Earnings	$ 719,000	$ 633,000
AT FISCAL YEAR END		
Total Assets	$560,571,000	$633,197,000
Total Equity	$550,265,000	$505,340,000
Total Loans to Members	0	$114,580,000
Total Employees	4	4
Total Members: via Agents (Credit Unions)	42(14,000)	42(14,000)
Direct Members	186	186

Operating Expense History



★ DIVIDENDS ★

Dividends on members' capital stock and deposits of $19.8 million resulted in an average return of 3.79 percent for the fiscal year.

The distribution of net earnings in dividends after all operating expenses was 98 percent of available net income. The per annum dividend rate paid per quarter on shares for the past two years and the average 90-day T-Bill rate for the current year are shown below.

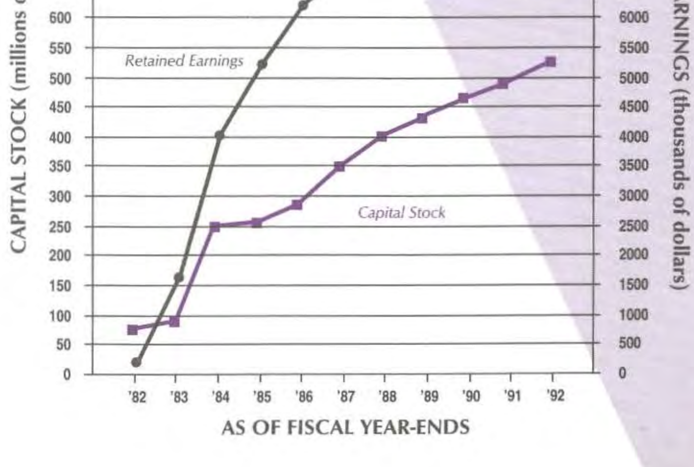
★ LOAN PORTFOLIO SPREAD ★

The CLF loan portfolio spread for the fiscal year was 19 basis points. The average outstanding loan balance for the year was $19 million, an decrease of $68 million from the previous fiscal year. Overall the loan portfolio contributed $567,000 to net income during the year.

CLF tailors its lending rate to meet the situational lending needs of credit unions. Special loan programs, such as the Investment Liquidity Lending Program, are extended on a case-by-case basis and set at a rate that would provide the maximum benefit to these "208 type" credit unions. These loans are consistent with CLF's overall statutory purpose "to improve the general financial stability" of the credit union system.

	CLF Dividend		90 Day T-Bill Rate
Quarter Ending	**1992**	**1991**	**1992**
1st Quarter — 12/31	4.64%	7.21%	4.69%
2nd Quarter — 3/31	3.89	6.22	3.90
3rd Quarter — 6/30	3.64	5.72	3.77
4th Quarter — 9/30	2.97	5.46	3.16
Fiscal Year Average	**3.79%**	**6.15%**	**3.88%**

Equity Capital Trends



★ INVESTMENTS ★

Title III of the Federal Credit Union Act permits the CLF to invest in U.S. Government and Agency obligations, place deposits in federally insured financial institutions, and make investments in shares or deposits with credit unions. CLF's investment objectives are first to meet liquidity needs by holding in daily accounts sufficient funds to meet sudden loan demand, withdrawals from liquidity and clearing accounts, and any membership refunds, and then make authorized investments at various maturities to maximize yield. During 1992, all funds were placed in investments at maturities not exceeding six months.

Investments at September 30, 1992, stood at $556.4 million, an increase of $44.7 million from the previous year. The investments consist of two separate portfolios: the $489.8 million redeposit in U.S. Central, and $66.6 million invested in time deposits and daily accounts. The reinvestment at U.S. Central is at an "administered" rate set quarterly. The income from this managed spread when combined with all of CLF's other earnings is sufficient to pay CLF's entire operating and reserving costs, as well as the projected dividend. During fiscal year 1992, the yield on the redeposit was 3.88 percent.

The average maturity of the portfolio, excluding the redeposit, was 100 days at fiscal year-end, compared to 55 days at the beginning of the fiscal year. The average yield on the managed portfolio was 6.83 percent during the year. Including the yield on the redeposit in the corporate system, the overall return on CLF's investments was 6.28 percent for fiscal year 1992.

CLF Investment Portfolio
at September 30, 1992

Investment	Amount	% of Total Portfolio
Time Deposits	$ 40,000,000	7.2%
U.S. Central Daily Account	26,512,966	4.8
U.S. Central Redeposit	489,840,042	88.0
TOTAL	**$556,353,008**	**100.0%**

Maturity Schedule of CLF Investment Portfolio
at September 30, 1992

Month	Time Deposits	U.S. Central Daily Account	U.S. Central Redeposit	Total
November	$10,000,000	$26,512,966	$489,840,042	$526,353,008
December	10,000,000			10,000,000
January	5,000,000			5,000,000
February	10,000,000			10,000,000
March	5,000,000			5,000,000
TOTAL	**$40,000,000**	$26,512,966	$489,840,042	**$556,353,008**

CENTRAL LIQUIDITY FACILITY FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

Report of Independent Accountants

To the Board of the National Credit Union Administration
and the National Credit Union Administration
Central Liquidity Facility

In our opinion, the accompanying balance sheets and the related statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility at September 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration Central Liquidity Facility management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Washington, DC
November 3, 1992

Balance Sheets
(Expressed in thousands of dollars)

	September 30, 1992	September 30, 1991
ASSETS		
Cash	$ 9	$ 10
Investments	556,353	511,677
Loans to members	0	114,580
Accrued interest receivable	4,209	6,930
Total assets	**$560,571**	**$633,197**
LIABILITIES AND EQUITY		
Liabilities		
Notes payable	$ 0	$113,580
Member deposits	10,087	13,462
Accrued interest payable	0	575
Accounts payable and other liabilities	219	240
Total liabilities	**10,306**	**127,857**
Equity		
Capital stock–required	539,917	495,711
Retained earnings	10,348	9,629
Total equity	**550,265**	**505,340**
Commitments		
Total liabilities and equity	**$560,571**	**$633,197**

The accompanying notes are an integral part of these financial statements.

Statements of Operations and Retained Earnings
(Expressed in thousands of dollars)

	Year Ended September 30, 1992	1991
INCOME		
Income from investments	$ 21,225	$ 30,354
Interest on loans	1,162	5,562
Other	4	30
Total income	**22,391**	**35,946**
EXPENSES		
Agent commitment fee	384	384
Personnel services	197	274
Other services	72	83
Rent, communications and utilities	42	39
Personnel benefits	26	32
Supplies and materials	22	19
Shipping and delivery	14	12
Employee travel	10	11
Printing and reproduction	8	6
Total operating expenses	**775**	**860**
Interest		
Federal Financing Bank	1,074	4,995
Member deposits	272	471
Total expenses	**2,121**	**6,326**
Net income	**20,270**	**29,620**
Dividends to members	19,551	28,987
Addition to retained earnings	719	633
Retained earnings at beginning of period	9,629	8,996
Retained earnings at end of period	$ 10,348	$ 9,629

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows
(Expressed in thousands of dollars)

	Year Ended September 30, 1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from investments	$ 23,338	$ 32,424
Interest received on loans	1,770	5,634
Other income received	4	30
Cash paid for operating expenses	(796)	(784)
Interest paid on borrowings	(1,649)	(5,083)
Net cash provided by operating activities	**22,667**	**32,221**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment maturities	326,084	225,940
Loan principal repayments	133,830	95,750
Purchase of investments	(370,760)	(280,282)
Loan disbursements	(19,250)	(143,740)
Net cash (used in) provided by investing activities	**69,904**	**(102,332)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	15,000	129,880
Addition to member deposits	155	207
Issuance of required capital stock	46,612	46,073
Borrowing repayments	(128,580)	(72,881)
Withdrawal of member deposits	(23,353)	(31,084)
Redemption of required capital stock	(2,406)	(2,081)
Net cash provided by (used in) financing activities	**(92,572)**	**70,114**
Net increase in cash	(1)	3
Cash at beginning of year	10	7
Cash at end of year	$ 9	$ 10

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1992 AND 1991

Note 1—Organization and Purpose

The National Credit Union Administration Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (Act). The CLF is designated as a mixed-ownership government corporation under the Government Corporation Control Act. The CLF exists within the National Credit Union Administration (NCUA) and is managed by the National Credit Union Administration Board. The CLF became operational on October 1, 1979.

The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions. The CLF is a tax-exempt organization under Section 501(c) of the Internal Revenue Code.

Note 2—Significant Accounting Policies

Basis of Accounting

The CLF maintains its accounting records on the accrual basis of accounting.

Cash Flows Reporting

For purposes of cash flows reporting, cash consists of deposits maintained in a checking account at a commercial bank.

Allowance for Loan Losses

Loans to members are made on both a short-term and long-term basis. For all loans the CLF either obtains a security interest in the assets of the borrower or in some cases receives the guarantee of the NCUA Share Insurance Fund.

The CLF evaluates the collectibility of its loans to members through examination of the financial condition of the individual borrowing credit unions and the credit union industry in general.

No allowance for loan losses was considered necessary at September 30, 1992 and 1991.

Investments

The CLF invests in members' share accounts (see Notes 5 and 8). All of the CLF's other investments are short-term with no maturities in excess of one year. These investments are recorded at cost, which approximates market value.

Note 3—Government Regulations

The CLF was created by the Act and is subject to various Federal laws and regulations. The CLF's operating budget requires Congressional approval and the CLF may not make loans to members for the purpose of expanding credit union loan portfolios. The CLF's investments are restricted to obligations of the United States Government and its agencies, deposits in federally insured financial institutions and shares and deposits in credit unions. Borrowing is Congressionally limited to twelve times equity and capital subscriptions on-call. However, the CLF has internally imposed a $600 million limitation on its borrowings. At September 30, 1992 and 1991, the CLF was in compliance with these limitations.

Note 4—Loans to Members

Loans outstanding at September 30, 1991, carried interest rates ranging from 5.53 percent to 6.13 percent. There were no loans outstanding at September 30, 1992. Included in loans to members at September 30, 1991 were loans to U.S. Central Credit Union in its capacity as agent of the CLF (see Note 8) in the amount $108,580,000.

The CLF also provides members with extended loan commitments and lines of credit. There were $82,500,000 in outstanding commitments or lines of credit which expired at September 30, 1992. Subsequent to September 30, 1992, lines of credit to members totaling $17,900,000 million have been authorized.

During 1991 and 1992, the CLF provided lines of credit for state insurance corporations. Advances against these lines would be non-revolving and fully secured by a senior perfected security interest in negotiable, marketable securities acceptable to the CLF. Each line of credit calls for a commitment fee of 1/4 of 1 percent per annum. All lines expired during 1992 and, accordingly, no lines were available at September 30, 1992. Subsequent to September 30, 1992, no lines of credit have been authorized.

Note 5—Investments

Funds not currently required for operations are invested as follows (dollars in thousands):

	September 30,	
	1992	1991
U.S. Central (see Note 8)		
Redeposits	$489,840	$444,530
Share accounts	26,513	27,147
Time deposits	40,000	40,000
	$556,353	$511,677

Note 6—Notes Payable

All of the CLF's borrowings have been from the Federal Financing Bank. The interest rates on these obligations are fixed and range from 5.384 percent to 5.879 percent at September 30, 1991. There were no borrowings outstanding at September 30, 1992. Interest is generally payable upon maturity.

The Secretary of the Treasury is authorized by the Act to lend up to $500 million to the CLF in the event that the Board certifies to the Secretary that the CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, President Reagan signed PL 97-101 which provided $100 million of permanent indefinite borrowing authority which may be provided by the Secretary of the Treasury to the CLF to meet emergency liquidity needs of credit unions.

Note 7—Capital Stock and Member Deposits

The required capital stock account represents subscriptions remitted to the CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which amount is required to be remitted to the CLF. Agent members' required subscription amounts equal one-half of one percent of the paid-in and unimpaired capital and surplus of all of the credit unions served by the agent member, one-half of which amount is required to be remitted to the CLF. In both cases the remaining one-half of the subscription is required to be held in liquid assets by the member credit unions subject to call by the National Credit Union Administration Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are declared and paid on required capital stock.

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

Note 8—Membership Increase

During the year ended September 30, 1984, the CLF accepted a membership request from U.S. Central Credit Union (USC) on behalf of 29 of its corporate credit union members. At September 30, 1992 and 1991, $511,779,702 and $467,974,210, respectively, of the required portion of subscribed capital stock was on deposit with the CLF by USC on behalf of its member credit unions.

In addition, by accepting this membership request, the CLF is initially committed to reinvest all but $50,000,000 of its total share capital in USC at market rates of interest. At September 30, 1992 and 1991, $516,353,008 and $471,677,000, respectively, were invested in USC share accounts at approximately 3.05 percent and 5.45 percent respective yields.

Note 9—Retained Earnings

It is CLF's policy to internally appropriate $600,000 of each year's retained earnings as a reserve for loan losses. At September 30, 1992 and 1991, internally appropriated retained earnings totalled $8,406,000 and $7,806,000, respectively.

Note 10—Concentration of Credit Risk

At September 30, 1992, the CLF has a concentration of credit risk for its loans and investments with U.S. Central Credit Union of $516,353,008 (see Note 5). The maximum risk of accounting loss in the event of nonperformance by U.S. Central Credit Union would be $738,708. Management does not expect nonperformance by U.S. Central.

Note 11—Services Provided by the National Credit Union Administration

The National Credit Union Administration provides the CLF with miscellaneous services, data processing services, and supplies. In addition, the National Credit Union Administration pays CLF employee salaries as well as CLF's portion of monthly lease payments. The CLF reimburses the National Credit Union Administration on a monthly basis for these items.

Total reimbursements for the years ended September 30, 1992 and 1991 amounted to approximately $306,000 and $301,000, respectively.

Note 12—Pension Plan

The employees of the CLF are participants in the Civil Service Retirement and Disability Fund (CSRDF) which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit plans covering all of the employees of CLF. FERS is comprised of a Social Security Benefits Plan, a Basic Plan and a Savings Plan and is mandatory for all employees hired on or after January 1, 1984. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan employees can also elect additional contributions between one and ten percent of their gross pay and the CLF will match up to five percent of the employee elected contributions. CLF's contributions to the plans for the years ended September 30, 1992 and 1991 were approximately $16,000 and $21,000, respectively.

CLF does not account for the assets of the above plans nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers such as CLF.

Note 13—Lease

The CLF leases office space jointly with the National Credit Union Administration under a non-cancellable operating lease expiring in November 1994. The agreement provides for annual rent adjustments based on increases in the Consumer Price Index. Under the terms of this lease, the CLF and the National Credit Union Administration are jointly and severally liable for future minimum lease payments as of September 30, 1992, as follows (dollars in thousands):

Year ended September 30,	
1993	420
1994	140
	$560

The CLF's portion of these lease payments (rent expense) for each of the years ended September 30, 1992 and 1991 was approximately $38,000 and $36,000, respectively.

Note 14—Cash Flow Information

The reconciliation of net income to net cash provided by operating activities is as follows:

	1992	1991
Net Income	$20,270	$29,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in accrued investment income receivable	2,113	2,070
Decrease in accrued loan interest receivable	608	72
(Decrease) in accounts payable and other liabilities	(21)	76
Decrease in accrued interest payable	(575)	(88)
Interest deposited in member deposits	272	471
Total adjustments	2,397	2,601
Net cash provided by operating activities	$22,667	$32,221

Supplementary disclosures of non-cash transactions are as follows:

	1992	1991
Rollovers:		
Loans	$133,242	$368,555
Borrowings	125,742	302,220
Dividends added to member deposits	19,551	28,987

SELECTED FINANCIAL RATIOS

	1992	1991	1990	1989	1988
OPERATING RATIOS					
Total Operating Expenses/Total Income	3.5%	2.4%	1.8%	1.8%	2.1%
Interest Expense (FFB)/Total Income	4.8	13.9	15.1	20.7	21.7
Dividends/Total Income	87.3	80.6	80.2	74.8	72.0
Dividends/Net Income	96.5	97.9	98.1	98.1	96.6
Net Income After Dividends/Total Income	3.2	1.8	1.6	1.5	2.5
BALANCE SHEET USING FISCAL YEAR END DATA					
Total Equity/Total Assets	98.2%	79.8%	86.4%	77.6%	75.5%
Total Liabilities/Total Assets	1.8	20.2	13.6	22.4	24.5
Loans/Total Assets	0	18.1	12.5	19.8	22.3
Investments/Total Assets	99.2	80.8	85.8	78.4	76.2
*Investments/Stock and Deposit Liabilities	101.1	100.0	98.0	99.7	99.5
Total Borrowings/Total Equity	0	22.5	12.3	25.4	28.9
Loans/Total Equity	0	22.7	14.5	25.6	29.5
PERFORMANCE RATIOS USING AVERAGE BALANCES					
Yield on Average Investments	4.0%	6.3%	8.0%	8.5%	6.7%
Yield on Average Loans	5.0	6.4	8.2	8.6	6.4
Yield on Total Average Earning Assets	4.0	6.3	8.1	8.5	6.6
Average Borrowing Rate	3.8	6.2	8.0	8.5	6.4
Average Dividend Rate	3.8	6.2	7.9	8.3	6.4

* 511,677

★ AGENT MEMBERS ★

U.S. Central Agent Group

U.S. Central Credit Union
(Agent Group Representative)
Alabama Corporate CU
Capital Corporate FCU (MD)
Central Corporate CU (MI)
Colorado Corporate FCU
Constitution State Corporate CU, Inc. (CT)
Corporate CU of Arizona
Corporate Central CU of Utah
Corporate One CU
Eastern Corporate FCU (MASS)
Empire Corporate FCU (NY)
First Carolina Corporate CU (NC)
Garden State Corporate Central CU (NJ)
Georgia Central CU
Idaho Corporate CU, Inc.
Indiana Corporate FCU
Iowa League Corporate Central CU
Kansas Corporate CU
Kentucky Corporate FCU
Louisiana Corporate CU
Mid-Atlantic Corporate FCU (PA)
Mid-States Corporate FCU (IL)
Minnesota Corporate CU
Missouri League Corporate CU
Nebraska Corporate Central FCU
North Dakota Central CU
Oklahoma Corporate CU
Oregon Corporate Central CU
Pacific Corporate FCU (HI)
Puerto Rico Corporate CU
RICUL Corporate CU (RI)
South Dakota Corporate Central FCU
Southeast Corporate FCU (FL)
Southwest Corporate FCU (TX)
The Carolina Corporate CU (SC)
Treasure State Corporate Central CU (MT)
Tricorp FCU (ME)
Volunteer Corporate CU (TN)
Virginia League Corporate FCU
Washington Corporate Central CU
Western Corporate FCU (CA)
West Virginia Corporate CU
Wisconsin Corporate Central CU

★ REGULAR MEMBERS ★

Alabama

Redstone FCU
Sloss FCU

Alaska

Eielson Employees FCU
Matanuska Valley FCU
Ward Cove FCU

Arkansas

College Station Community FCU

California

Aerospace FCU
American Electronics Association
(S.F. Council) CU
Carlsbad City Employees FCU
Chaffey District Employees FCU
Continental FCU
Electrical Workers CU
Fiscal Employees FCU
Fort Ord FCU
Fresno Grangers FCU
Hughes Aircraft Employees FCU
Marquardt FCU
National School District Employees FCU
Northrop Employees FCU
NSC Employees FCU
NWC Community FCU
Pacific IBM Employees FCU
Russian American CU
Safeamerica FCU
Santa Barbara Teachers FCU
Sea Air FCU
Southern Baptist CU
TRW Systems FCU
USEIT FCU
Vallejo City Employees FCU

Connecticut

Sikorsky FCU
St. Boniface Parish FCU
West Haven Teachers FCU

District of Columbia

Bank-Fund Staff FCU
OAS Staff FCU
Tacomis FCU
Wright Patman Congressional FCU

Florida

Gainesville Florida Campus FCU
Suncoast Schools FCU

Georgia

Augusta Industrial FCU
Augusta Seaboard Systems FCU
CSRA FCU
Fort Gordon FCU
Georgia State University FCU
Texaco Employees FCU
The Federal Employees CU

Guam

NAVMAR FCU

Idaho

Boise Telco FCU
Pocatello Teachers FCU
Potlatch No. 1 FCU
United Family FCU

Illinois

Chicago Fireman's Association CU
FEDCO CU
Pacesetter FCU
St. James Hospital Medical Center
Employees FCU
West Suburban FCU

Indiana

Deaconess Hospital Employees FCU
JET CU

Kansas

Panhandle FCU
SM Postal FCU

Kentucky

Louchem FCU
Members First FCU
Owensboro Employees FCU

Louisana

Aneca FCU
National Heritage FCU

Maryland

Internal Revenue FCU
National Institutes of Health FCU

Massachusetts

Direct FCU
Worcester Central FCU

Michigan

ABD FCU
ACM Employees CU
Communications Family CU
Dearborn FCU
Detroit Teachers CU
DT & I Employees CU
East Central Upper Peninsula Employees CU
East Detroit School Employees CU
Hamtramck Community FCU
Kramer Homes FCU
Livonia Parishes FCU
Portland FCU
Shaw Box Employees FCU
State Employees CU
T&C FCU
VIP CU
Wayne Out County Teachers CU

Minnesota

Northern Pacific Duluth FCU
State Farm North Central FCU

Missouri

Sears Kansas City Employees FCU

Nebraska

Nebraska State Employees CU

New Hampshire

St. Mary's Bank CU

New Jersey

Atlantic City Electric Company
Employees FCU
East Bergen Teachers FCU
H.L.R. FCU
Manville Area FCU
Metuchen Assemblers FCU
Mobil Research No. 1166 FCU
South Jersey FCU
Union County Teachers FCU
Wenewark FCU

New Mexico

Espanola School Employees FCU
Los Alamos CU

New York

BCT FCU
Brighton School Employees FCU
Buffalo Police FCU
IBM Interstate Employees FCU
Italo-American FCU
KASA Lithuanian FCU
MSBA Employees FCU
Municipal CU
N M P Northern Area FCU
North Rockland Educational FCU
Oneida Ltd Employees FCU
Orchard Park Central School FCU
Plattsburg Air Force Base FCU
School Employees of CNY FCU
U.S. Employees FCU
WCS FCU
W.C.T.A. FCU

North Carolina
Rowan-Iredell Area CU
TWIU Local 192 FCU

Ohio
Bellevue FCU
Celina Reynoco Employees FCU
Cincinnati Central CU
Cincinnati Postal Employees CU, Inc.
Daymon Employees FCU
East Ohio Gas Cleveland Operating Employees FCU
Emery Employees FCU
Fremont FCU
Golden Circle CU
Ironton DMI Employees FCU
LAN-FAIR FCU
MMD FCU
O'Neil's-Strouss FCU
Parmauto FCU
State Transportation Employees CU
Sun FCU
T&C CU, Inc.
United Services FCU
Wittenberg University FCU
Yellow Springs Community FCU

Oklahoma
Phillipps O C District FCU
Riverwest FCU
Space Age Tulsa FCU

Oregon
Clackamas FCU
Coos Curry FCU
Federal Metals Central CU
Northwest Farmers Insurance Group FCU
Oregon Central CU
Rockwood Industrial FCU

Pennsylvania
Cal Ed FCU
Dauco FCU
Elliot Employees No. 1 FCU
Erie General Electric Employees FCU
Erie School Employees FCU
NE PA School Employees FCU
Nor-Car School Employees FCU
People First FCU
The United FCU
University of Pittsburgh FCU
Westmoreland Federal Employees FCU

Rhode Island
Columbus CU
Coventry CU
Cranston Municipal Employees CU
Credit Union Central Falls
Fairlawn CU
Federal Products CU
Warwick CU
Wood Lawn CU

South Dakota
Services Center FCU

Tennessee
Memphis Buckeye FCU
Oak Ridge Government FCU

Texas
Lubbock Teachers FCU
South Texas Healthcare FCU

Utah
Tooele FCU

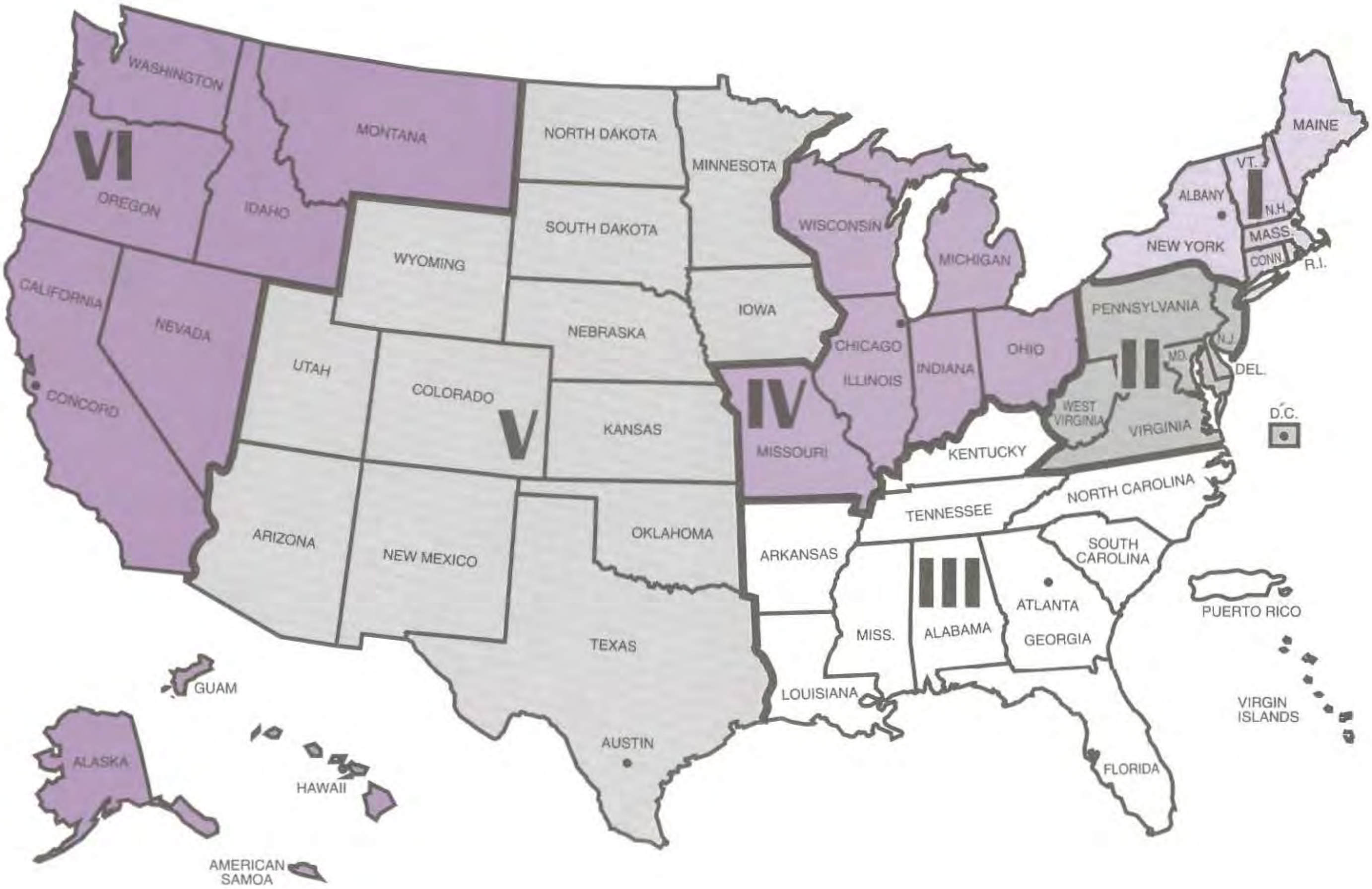
Virginia
Apple FCU
Norfolk Municipal Employees FCU
Reymet FCU
Sperry Marine Employees FCU

Washington
Alva FCU
Walla Walla Engineers FCU
Weyerhaeuser Pulp Employees FCU

West Virginia
Huntington West Virginia Firemen's FCU
Steel Works Community FCU

Wisconsin
Heritage FCU

★ NATIONAL CREDIT UNION ADMINSTRATION REGIONAL OFFICES ★



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