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Media Advisory

FOR IMMEDIATE RELEASE

NCUA Chairman JoAnn Johnson's Statement on Proposed Capital Reform

June 21, 2007, Alexandria, VA – *Today our Board made explicit NCUA's support for reforms of the system of prompt corrective action (PCA) and the creation of a risk based capital regime for credit unions. Recognizing that a statutory change is needed before such reforms could be instituted, the NCUA Board took this step as a way to set forth the sound policy rationale for improvements that would enhance the regulatory oversight capability of NCUA while enabling credit unions to better serve their members.*

NCUA's proposed system is rigorous and appropriately flexible; it institutes a practical, risk-based capital standard that reflects the varied requirements inherent in 21st Century balance sheets; it enhances the ability to identify and deal with thinly capitalized institutions; and it provides additional supervisory tools to address capital adequacy. The proposal empowers healthy credit unions to utilize capital more efficiently and operate in a safe and sound manner while protecting the National Credit Union Share Insurance Fund (NCUSIF). I am particularly pleased to note that this would be accomplished within a capital framework comparable to that employed by other financial institution regulators, but that also incorporates the unique nature of credit unions and the NCUSIF.

The National Credit Union Administration is the independent federal agency that regulates, charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, also operates and manages the National Credit Union Share Insurance Fund (NCUSIF), insuring the deposits of over 85 million account holders in all federal credit unions and the majority of state-chartered credit unions.