



For Details, Contact
NCUA Public &
Congressional Affairs
E-mail: pacamail@ncua.gov
Phone: 703.518.6330

National Credit Union
Administration
1775 Duke Street
Alexandria, VA 22314-3428
Fax: 703.518.6409

Media Release

FOR IMMEDIATE RELEASE

NCUA Provides Examiner Guidance Recognizing Corporate Impact, CU SIP

February 27, 2009, Alexandria, Va. – The National Credit Union Administration issued new supervisory guidance for agency examination staff regarding the impact the Corporate Stabilization Program may have on credit union balance sheets. Supervisory Letter 09-01 instructs examination staff to differentiate between the impact of recent NCUA Board actions and operational activities by credit union management when evaluating credit union performance and risk profile. The letter also sets forth guidance allowing for examiner recognition of possible temporary reductions in return on assets (ROA) resulting from credit union participation in the Credit Union System Investment Program (CU SIP).

“This Supervisory Letter is part of overall NCUA efforts to recognize and mitigate the impact of the Corporate Stabilization Program on credit union earnings and net worth. The Letter makes clear and appropriate distinctions between NCUA Board actions related to the corporates and decisions made by an individual credit union. Members deserve to know the bigger picture factors that are having an effect on their credit union’s bottom line, and they also need to know that the regulator is working with the industry to maintain a strong and vibrant credit union system despite the adverse environment,” commented NCUA Chairman Michael E. Fryzel.

The guidance identifies several areas of examiner responsibility that will be adjusted in response to the impact of recent NCUA Board actions to stabilize corporate credit unions: Assessment of Earnings, Assessment of Net Worth, Prompt Corrective Action/Net Worth Restoration Plans, Due Diligence and CAMEL rating. Examiners are being directed to take into account both subjective and objective variables related to these factors that affect a credit union’s financial condition when making determinations.

Credit union participation in CU SIP is also addressed in the context of the voluntary nature of the support for NCUA's efforts to address larger system liquidity needs.

The Letter specifically states that "Participation in CU SIP should not adversely affect examiner perspective, recognizing the temporary reduction in earnings and diluted net worth ratio will be just that, temporary."

Additionally, the Letter notes that "it is essential credit union management and examiners maintain an open and ongoing dialogue on the strategic direction of the credit union in relation to earnings and net worth and not be overly focused on the financial impact of the actions taken by the NCUA Board."

The letter to credit unions is posted here: [click here](#).

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, insuring the deposits of nearly 89 million account holders in all federal credit unions and the majority of state-chartered credit unions.

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