Board Action Bulletin

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NCUA BOARD MEETING RESULTS FOR JANUARY 22, 2009

Shared branching rule deleted from agenda

The NCUA Board removed from the agenda and did not consider the final rule on shared branching to accommodate the January 20 White House request that agencies defer from sending proposed and final rules to the Federal Register. The agency is attempting to clarify that as an independent agency the accommodation does not apply to NCUA.

Central Liquidity Facility loan documentation modified

The NCUA Board, by a 2 to 1 vote, delegated authority to the CLF president to sign an amendment to the Repayment, Security and Credit Reporting Agreement, currently in place between US Central FCU (USC) and the CLF, (Amendment) together with an Assignment Agreement (Assignment) between USC and CLF.

By modifying how outstanding CLF loans are booked by the corporates and USC, the change allows both USC and participating corporates to assign the loans, without recourse, to the CLF. The loans had been booked as assets by both USC and the corporate, with USC having a primary obligation to replay the advance to the CLF. Removing the loans from the books of USC and participating corporate, via the Assignment, will alleviate pressure on corporate balance sheets created by holding these assets.

The Amendment also has the effect of changing the way loans are administered in the future. USC will fulfill the role as master servicer and the relevant corporate will continue to service the loan. The loans will be booked exclusively as an asset of the CLF. In connection with this change, the corporate servicing the loan will agree in an ancillary agreement with USC (to which CLF is not a party) to subordinate any claims it may have to collateral also pledged to secure the CLF indebtedness.

The documents will be published in the Federal Register, and the change becomes effective January 30, 2009.

NCUSIF status report

Through December 31, 2008, National Credit Union Share Insurance Fund (NCUSIF) unaudited statements reflect gross income of $395.6 million, operating expense of $81.5 million, insurance loss expense of $290.4 million, and net income of $23.8 million.

Eighteen federally insured credit unions failed through December. Fifteen were involuntary liquidations and three were assisted mergers. The number of problem code 4 and 5 credit unions has risen from 211 at year-end 2007 to 271 at year-end 2008. These institutions represent 2.70 percent of total insured shares. Fifty-nine percent of problem code credit unions have less than $10 million in shares, while four of these credit unions hold over $1 billion in total shares.

The NCUSIF had $7.68 billion in equity at December 31, 2008. Insurance loss expense totaled $290.4 million through December and $284.6 million was charged to reserves during the year. The provision for CU losses (reserve) account totaled $278.3 million at December 31, 2008 -- $46.0 million for identified problem credit unions, and $232.3 million in unallocated reserves.

The NCUSIF equity ratio is 1.27 percent, based on December 31, 2008, estimated insured shares of $604.2 billion.

Given the situation in the financial markets, during December NCUA took the proactive, measured step of making a short-term advance to insure liquidity in the credit union system. This required the sale of securities, which generated $106.5 million in income. The advance is another in a series of contingency moves taken by NCUA as a proactive approach during these times of economic difficulty. The advance was repaid December 31 and reinvested consistent with NCUA’s laddering investment policy.

Next month, the report on January financial statements will include income related to CU HARP and CU SIP programs.