Board Action Bulletin

Prepared by the Office of Public & Congressional Affairs

NCUA BOARD MEETING RESULTS FOR FEBRUARY 18, 2010

National Credit Union Share Insurance Fund report

NCUA's Chief Financial Officer reported the Fund's reserve balance totaled $726.4 million January 31, 2010, with $34.3 million charged to losses during January. NCUA collected a special assessment from federally insured credit unions in December 2009, and in early February 2010, NCUA paid Treasury $311 million, making the initial payment on $1 billion the Temporary Corporate Credit Union Stabilization Fund borrowed from Treasury.

January 2010 ended with an NCUSIF equity ratio of 1.24 percent based on expected share growth in the nation's federally insured credit unions. The equity ratio will be recalculated when actual year-end 2009 data is available within the next few weeks. .

Two federally insured credit unions failed during January 2010 -- 1 involuntary liquidation and 1 assisted merger.

There were 357 problem code credit unions at January 31, 2010, with shares of $42.0 billion representing 5.82 percent of total insured shares. In comparison, 271 problem code credit unions held shares of $16.4 billion representing 2.67 percent of total shares January 31, 2009.

Posing additional concern, currently there are 1,665 code 3 credit unions. These institutions represent $98.8 billion, or 13.69 percent of total insured shares.
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During 2010, NCUSIF's annual revenue and expenses are projected to include investment income of $216 million, other income of $55.2 million, operating expense of $174.0 million, and insurance loss expense of $750 million. Through December 31, 2010, annual projections indicate NCUSIF will face a net loss of $652.8 million.

Chairman Matz reiterated that NCUA is diligently working to resolve the problems of code 4 and 5 credit unions and closely tracking code 3 credit unions. NCUA is committed to sustain and return these institutions to safe operating levels.

Briefing details adopted interim capital rule

The NCUA Board heard an informational briefing on the interim final rule, approved by notation vote February 9th, designed to add flexibility to the redemption of secondary capital by low-income designated credit unions (LICUs).

The Board acted quickly to enable LICUs to participate when the U.S. Treasury issued details of a new Community Development Capital (CDC) Initiative, a program to expand financial institution lending in low-income areas. Prior to Board action, LICUs were limited in the percentage of secondary capital they could redeem prior to maturation.

With approval by an NCUA regional director, the interim final regulation permits redemption of all or part of government-funded secondary capital and its matching secondary capital after it has been on deposit for two years. The amended rule's effect is to allow LICUs to redeem secondary capital accepted under the CDC Initiative before interest rates escalate to 9 percent during the last five years of maturity. The amendment also changes the loss distribution procedures applicable to secondary capital by making CDC Initiative secondary capital senior to any required matching secondary capital.

The interim final rule has a 30-day comment period.

Board votes are unanimous unless otherwise indicated. NCUA rule changes are posted online at www.ncua.gov under Resources/Regulations, Legal Opinions and Laws.