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NCUA Media Advisory

Matz to NAFCU: Managing Risks, Preventing Losses Will Reduce CU Insurance Fees

“If Credit Union Losses Are Lower, Assessments Will Be Lower,” Says NCUA Chairman

July 22, 2010, Alexandria, Va. – Urging the nation’s credit unions to manage risks wisely, National Credit Union Administration Chairman Debbie Matz today reminded an industry trade association that credit union losses will be the key factor in determining the fees required for their federal deposit insurance fund.

“The amount of the assessments for the National Credit Union Share Insurance Fund (NCUSIF) really depends on the industry’s own performance,” Matz told the National Association of Federal Credit Unions 43rd Annual Convention in Chicago. “The level of assessments is a direct result of the decisions that you make, as executives and board members, in conducting your business.”

“Bear in mind, the amount of assessments depends not only on *your* business decisions, but also on the *collective* business decisions of your colleagues at *other* credit unions. This is the very nature of a cooperative system,” said Matz. “Simply put: If credit union *losses* are lower, credit union *assessments* will be lower.”

In 2009, credit union losses resulted in a total charge of \$124 million to the NCUSIF. In just the first half of 2010, losses absorbed by the NCUSIF exceeded \$1.1 billion.

However, Matz assured industry leaders that their insurance fund is “strong and resilient.” Throughout this period of economic volatility, NCUA has carefully managed the NCUSIF to keep its equity ratio within the normal operating range of 1.2 percent to 1.3 percent. The ratio was most recently calculated at 1.22 percent (retained earnings divided by insured shares).

“If you share my conviction that our fund must be kept as strong as possible,” Matz challenged industry leaders, “then you will recognize our shared responsibility to ensure prudent management.”

NCUA continues to exercise its responsibility to supervise all federally insured credit unions closely. “Through stepped-up examinations and regulations, we want to catch problems early, so potential failures can be avoided, and so resources will not be drained from the Share Insurance Fund. It is far wiser to manage the Share Insurance Fund cautiously – maintaining a reasonable margin of safety today, rather than risk a loss of confidence tomorrow. Rigorous standards will help credit unions survive these tough economic times,” Matz concluded.

Full text of Matz’s speech is posted at
<http://www.ncua.gov/GenInfo/Members/Matz/Speeches.aspx>

NCUA is the independent federal agency that regulates, charters and supervises federal credit unions. With the backing of the full faith and credit of the U.S. government, NCUA operates and manages the National Credit Union Share Insurance Fund, which insures the deposits of more than 90 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUSIF covers up to \$250,000 per account. NCUA is funded by credit unions, not tax dollars.

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