National Credit Union Administration

1991 Annual Report

NCUA's mission is to ensure the safety and soundness of credit unions and to provide a flexible regulatory environment which will facilitate sound credit union development, while efficiently and effectively managing the agency's resources and the Share Insurance Fund.

Contents

The National Credit Union Administration is an independent federal agency that supervises and insures 8,229 federal credit unions and insures 4,731 state-chartered credit unions. It is entirely funded by credit unions and receives no tax dollars.

This 1991 NCUA Annual Report is an official report to the President and the Congress of the United States.

National Credit Union Administration
1776 G Street Northwest
Washington, D.C. 20456

Financial Highlights

1991

National Credit Union Administration

1991 Budget	$ 77.2 million
Actual Expenses	75.8 million
Operating fee income from federal credit unions	36.7 million
Expenses transferred to Share Insurance Fund	37.9 million
Miscellaneous income	2.6 million
Operating fund balance	9.5 million

National Credit Union Share Insurance Fund

Total insured shares (June 30)	$196.7 billion
Total assets	2.5 billion
Gross income	207.4 million
Net income	4.1 million
Operating expenses	40.4 million
Insurance losses	163.0 million
Reserve for losses	130.8 million
Equity ratio (fund balance as percentage of insured deposits)	1.23 percent

NCUA Central Liquidity Facility

Total assets	$ 633.2 million
Capital stock and retained earnings	505.3 million
Total loans	114.6 million
Net income	29.6 million
Dividends paid	29.0 million
Reserves	9.6 million

Federally Insured Credit Unions, December 31

Number of credit unions	12,960
Total assets	$225.2 billion
Capital/equity to assets	7.7 percent
Share growth	13.4 percent
Ratio of loans to shares	64.9 percent
Delinquency ratio	1.6 percent
Net income growth	32.2 percent

The fiscal year of NCUA, the Share Insurance Fund, and CLF begins October 1 and ends September 30.
The insurance year begins July 1. Credit union data is based on the calendar year.

Dedication

This 1991 Annual Report is dedicated to Charles H. Bradford, chief economist of the National Credit Union Administration from 1986 until his death in December 1991. During his six years with the agency, Dr. Bradford conducted a research program which will be of lasting benefit to NCUA and credit unions. In 1990, he was recognized for his work with NCUA and in other positions with the federal government when he received a Presidential Award for Outstanding Federal Employees With Disabilities. His charm and spirit will be remembered by all who knew him.

A Momentous Year

The year 1991 tested the agency and its people with unexpected events and unprecedented workloads. It was a momentous year, right from the start.

It began on New Year's Day when the governor of Rhode Island closed 35 credit unions after their private insurer collapsed. That crisis flooded the agency with applications for federal insurance and required enormous efforts by regional offices, examiners, and other staff.

During 1991, three important studies concluded that credit unions and the National Credit Union Share Insurance Fund were in excellent condition. Of the three, the most significant was the two-year General Accounting Office study. The NCUA Board welcomed this scrutiny and adopted many GAO recommendations.

Financial institutions including credit unions made headlines throughout 1991 as Congress struggled with the serious problems of the banking industry. Credit unions emerged unscathed from that year-long debate.

In spite of an economic recession, most credit unions remained safe and sound throughout 1991. However, the severe problems of a very few substantially increased costs to the Share Insurance Fund. To reflect overall credit union strength, the Board levied an insurance premium for the first time since 1984.

Also in 1991, NCUA co-hosted the first, very successful conference of international credit union regulators. Regulators from every continent gathered in Madison, Wis., to discuss credit union supervision and development.

The Board in 1991 also considered important regulations affecting business lending, credit union investments, and corporate credit union practices.

Finally, after operating for many months with only two members, a third was confirmed in October. The Board welcomed Shirlee Pearson Bowné and is pleased to be at full strength once again.

Looking ahead to 1992 and beyond, the Board believes the credit union system is prepared to meet its challenges. NCUA will share in making that future safe, sound, and successful.

Roger W. Jepsen
Chairman of the Board

Shirlee P. Bowné
Vice Chairman

Robert H. Swan
Member of the Board

Roger W. Jepsen

Shirlee P. Bowné

Robert H. Swan

Agency Responds to New Needs, Unexpected Events

NCUA carried out its mission in 1991 at the same time management responded to unexpected events, improved agency operations, and made decisions about the future.

The unexpected included an avalanche of credit union applications for federal insurance and a national economic recession. These combined to substantially increase the agency's workload. Although credit unions across the country remained healthy and strong, the New England situation warned of what could happen elsewhere. Congressional mandates and the recommendations of the General Accounting Office required many additional hours of staff time.

Donald E. Johnson
Executive Director

To meet all of these demands and to prepare for predictable future needs, NCUA Executive Director Donald E. Johnson recommended in April that the Board authorize hiring 62 additional examiners. He also recommended moving supervision of New Jersey credit unions from Region I to Region II.

The decision to increase the examiner staff meant giving highest priority to recruiting and hiring high-caliber professionals. But NCUA did not neglect other essential elements of high quality supervision. It continued to improve its technology and training, fine-tuning and expanding current programs, and developing new tools and techniques.

Looking ahead, the NCUA Board decided in November, after many months of study, to purchase a building to be constructed within the Washington metropolitan area. NCUA will occupy the Alexandria, Va., building in 1993 and, by doing so, will save about $2 million each year–a 15-year saving of $30 million.

The Board decided to seek new quarters when the management of NCUA's present building said rent will triple when the lease expires. The agency's commitment to staff training also requires more space than is now available. Training and conferences can be held in the new building at considerable savings over the off-site locations currently being used.

Management studied the residential and commuting patterns of staff. Other factors in the decision on where to relocate were the accessibility of transportation, hotel accommodations and other services, and safety.

To purchase a building, the agency will borrow nearly $42 million from the Share Insurance Fund and repay it over 15 years at prevailing interest rates. Savings of $30 million in the first 15 years could approach $50 million in the second 15-year period.

And finally, the Board ended 1991 on a good note. On the recommendation of staff, it held the line on the operating fee for federal credit unions and did not increase rates.

Crisis in Rhode Island

A crisis that had been building over several months erupted on New Year's Day when Rhode Island Governor Bruce Sundlun closed 45 privately insured, state-chartered financial institutions–35 of them credit unions.

For six weeks, at the state's request, special teams of NCUA examiners had worked around the clock and through the holidays to determine the insurability of the affected credit unions. When Governor Sundlun acted on January 1, NCUA was ready to announce that 22 credit unions would reopen with federal insurance.

Under the supervision of Chairman Roger W. Jepsen, NCUA managed its response to the Rhode Island closure from a crisis-control center in Providence. Later, Governor Sundlun lauded NCUA's efforts when he appeared before the House Banking Committee.

Within hours after the state acted, reporters began to speculate about the viability of other state or private insurers. State legislators across the country added to the crisis environment by calling for mandatory federal insurance. In the U.S. House of Representatives, the banking committee chairman introduced legislation to require federal insurance for all depository institutions.

Reacting to the crisis, privately insured credit unions across the country flooded NCUA with requests for federal insurance. On the front line, NCUA regional offices worked closely with state officials to make it a smooth transition.

To handle the workload, NCUA–

- Reassigned examiners,
- Recalled retirees,
- Authorized overtime pay,
- Reduced the exam time for well-capitalized healthy credit unions,
- Deferred some training programs,
- Canceled most staff speaking engagements, and
- Reduced meeting and committee assignments.

By year end, almost 800 credit unions in 14 states had applied for federal insurance. Of that number, 577 with assets of $8 billion were approved and 508 had made their 1 percent deposit in the Share Insurance Fund.

By year end, 577 credit unions with assets of $8 billion were approved for insurance.

Banking Legislation Was Headline News

The legislative year 1991 began with a bill proposing to create two new super agencies–one to insure and the other to regulate all depository institutions, including credit unions. It ended 11 months later with the approval of only a very narrow banking bill.

Throughout the year, banking legislation made headline news as Congress struggled with the serious problems engulfing the banking sector. Unable to resolve the differences between competing interests, Congress recapitalized the Bank Insurance Fund and went home.

The Administration based its legislative package on the U.S. Treasury Department's study of the deposit insurance system. Mandated by Congress, the report gave high marks to credit unions and the National Credit Union Share Insurance Fund. But it also proposed that credit unions expense their 1 percent insurance fund deposit and that a U.S. Treasury representative sit on the NCUA Board. Neither proposal survived.

The General Accounting Office report, issued in July, proposed a number of safety and soundness improvements which required legislative action. These included minimum capital and reserve standards, a new operating level for the insurance fund, and a new cap on credit union lending to one member.

Robert E. Loftus
Director, Office of Public and Congressional Affairs

However, credit union trade associations mounted a last minute campaign and these provisions were deleted from the final bill. In the end, new requirements for privately insured credit unions and private deposit insurers were substituted for a provision requiring federal deposit insurance.

The consumer provisions of Public Law 102-242 require financial institutions to disclose interest rates and fees in a clear and uniform manner. However, NCUA regulations can take into account the unique nature of credit unions and their limitations on paying dividends. The act also encourages banks to invest in community development credit unions in exchange for community enterprise assessment credit.

Treasury study gave high marks to credit unions and Share Insurance Fund.

Board Accepts New Restraints

The NCUA Board placed new limits on member business loans and credit union investments in 1991 and proposed a major re-write of its rules governing corporate credit unions.

The business loan rule targets credit union lending for speculative business purposes. Although less than 2 percent of all lending, business lending accounted for 81 percent of insurance losses in 1991, almost twice the 1990 ratio. Although only 10 percent of federally insured credit unions make business loans, poorly reserved and problem credit unions hold a disproportionate share of business loans.

After two public comment periods, the rule as finally approved establishes new lending limits and new reporting and reserving requirements. It also requires written loan policies and the use of experienced loan officers.

The other major 1991 rule change governs credit union investments and also requires written policies, at least an annual policy review, and prohibits certain high-risk investments by federal credit unions. If state rules permit these investments, the rule requires the affected credit unions to establish special reserves.

Prohibited investments, except under limited conditions, include stripped mortgage-backed securities, residual interest on collateralized mortgage obligations (CMOs), real estate mortgage investment conduits, and other CMO investments with high average life volatility. The rule also prohibits investments by federal credit unions in corporate credit unions which do not comply with NCUA rules.

Robert M. Fenner
General Counsel

The corporate rule recognizes the increasing importance of corporates in the credit union system and seeks to ensure that corporates remain true to the democratic, cooperative philosophy of credit unions.

The proposed rule expands corporate investment powers, subject to safety and soundness controls, and establishes reserving requirements which address credit risk, interest rate risk, and liquidity risk. It also limits borrowing to 10 times capital unless approved by the appropriate NCUA regional director.

Enforcement Actions

Although the need for enforcement action is rare among credit unions, enforcement actions are a growing part of NCUA's overall responsibility.

This seeming contradiction can be explained by the growing complexity of today's credit unions and their financial transactions. New federal law is also a factor.

Enforcement powers include removal and prohibition, cease and desist orders, civil money penalties, and termination of insurance. Prohibition orders prevent officers or employees found guilty of misdemeanors or fraud from working again in any other financial institution without the permission of the regulator. Also in 1989, Congress gave NCUA authority to assess civil money penalties.

In addition to enlarging the grounds for the use of these enforcement powers, Congress required financial regulators to make public all final enforcement orders. This disclosure tends to increase public awareness of wrongdoing and its consequences.

During 1991, NCUA issued 51 enforcement orders compared to 30 actions in 1990. These included 18 removals or prohibitions, 12 cease and desist orders, and 21 civil money penalties. In 1991, the NCUA Board assessed money penalties against–

- A credit union manager who hid the credit union's records from an examiner,
- Each member of a credit union's board of directors that violated a cease and desist order,
- Each member of a board for numerous violations of state and federal laws and regulations, and
- Two credit unions for flagrant failure to file required reports.

Prohibition and removal actions were taken against–

- An accountant for numerous negligent credit union audits,
- A manager for "cooking the books," and
- Individuals, based on indictments or conviction for crimes involving breach of trust or dishonesty.

Cease and desist proceedings were brought–

- To seek restitution from an accountant who improperly negotiated a credit union payment,
- To order a credit union not to interfere in an NCUA conservatorship action,
- To seek restitution from a credit union manager for making loans in violation of NCUA's business lending regulation, and
- To require an auditing firm to comply with Generally Accepted Auditing Standards and generally accepted guidelines for identifying problem loans.

Also in 1991, NCUA joined with the other four federal financial regulators to establish the Office of Financial Institution Adjudication to hear formal administrative enforcement actions.

Enforcement actions are a growing part of NCUA's overall responsibility.

Litigation Prevents, Recovers Losses

Litigation to recover insurance losses suffered by the Share Insurance Fund and to prevent or recover losses for a credit union sometimes requires years of legal proceedings.

The two largest insurance losses in credit union history, dating back to 1986 and 1989, still accounted for the largest number of suits in litigation in 1991. Both involved fraud.

Franklin Community Credit Union, Omaha, tops the list with 13 suits in litigation at year end. Fraud by officers of HYFIN Credit Union, Brooklyn, uncovered in 1986, is the subject of nine ongoing suits. Six people were convicted in each case.

Undetected crime can seriously damage credit unions and ultimately the Share Insurance Fund. Although unlawful activity is rare in credit unions, NCUA uses two programs to ensure detection. Cash awards, authorized by Congress in 1990, are offered for information resulting in substantial civil or criminal money penalties.

In the aftermath of the Franklin case, NCUA established a toll-free "fraud hotline" for credit union employees and others to use to report suspected illegal activities anonymously. An attorney or the appropriate regional office investigates every call. As a result, some cases of fraud have been uncovered.

Undetected crime can seriously damage credit unions and ultimately the Share Insurance Fund.

Lawsuits in which the agency is involved number in the hundreds at any time. Most are routine, such as collections or foreclosures for liquidated or conserved credit unions. In these cases NCUA stands in the shoes of the credit union as either plaintiff or defendant.

The remaining lawsuits include–

- Challenges to agency determinations,
- Appeals from enforcement actions,
- Personnel matters,
- Claims for negligence or breach of contract,
- Suits growing out of liquidations or conservatorships, and
- Federal Tort Claim matters.

GAO Scrutiny Intense

From 1989 through 1991, the U.S. General Accounting Office studied NCUA and the credit union system—the most intense and in-depth professional scrutiny in credit union history.

Such scrutiny could not help but influence NCUA's operations during the study period. By the time the GAO published its comprehensive report in July, NCUA had adopted or was preparing to act on many of GAO's recommendations.

Those recommendations and NCUA's actions follow.

Quarterly Financial Reporting. At the end of March 1992, federally insured credit unions over $100 million in assets will file quarterly reports for the first time. Quarterly reporting by credit unions of $50 million or more in assets will begin in 1993.

Expanded Financial Reporting. NCUA expanded its required data for year end 1990 reports, and projects further expansion of required data as credit union complexity grows.

Stronger Real Estate Regulation. NCUA research studies and real estate lending guidelines issued in Letters to Credit Unions helped improve their underwriting and lending policies. NCUA will adjust real estate regulations as necessary.

Tighter Commercial Lending Rules. The NCUA Board adopted a revised member business loan rule in 1991.

Monitoring Controls. GAO recommended a number of improvements in NCUA's monitoring of the ongoing financial status of federally insured credit unions. NCUA has developed and adopted new monitoring tools and methods.

Resolving Problems and Assisting Failing Credit Unions. New quality controls, approval policies, tracking and monitoring criteria are in place.

Improving the Corporate System. The timeliness and level of corporate reporting is significantly improved. NCUA also increased its corporate oversight, monitoring and follow-up. In 1991, the agency proposed a major revision of Part 704 of NCUA Rules and Regulations governing corporates, based on GAO recommendations.

Calendar Year. NCUA proposes to place the operations of the Share Insurance Fund and the agency on a calendar year basis by 1993.

The NCUA Board and Congress disagreed with the following GAO conclusions:

- Requiring credit unions to expense their 1 percent deposit in the Share Insurance Fund,
- Separating the supervisory and insurance functions within NCUA,
- Including the chairman of the Federal Reserve Board and the secretary of the U.S. Treasury as ex officio members of the NCUA Board, and
- Dissolving the Central Liquidity Facility.

Two NCUA Programs Serve Special People

The NCUA Board in 1991 approved policies to improve programs for credit unions providing financial services to two often under served groups–college students and people living in low-income communities.

Following a two-year study and pilot program, the Board lifted its moratorium on the chartering of college student credit unions and established new chartering and supervisory policies for these credit unions. At present, 24 student-operated credit unions or branches of other credit unions serve college students.

Another program for credit unions serving members with special needs–the Community Development Revolving Loan Program–completed a second successful year under NCUA management. Created by Congress, its purpose is to help credit unions provide basic financial services and stimulate economic development in low-income communities.

In 1991, 23 low-income credit unions received loans totaling $3.3 million at the below-market interest rate of 3 percent. Twelve credit unions received loans in 1990. At year end, 34 credit unions had outstanding loans totaling $4.5 million and there were *no* delinquent loans. Loan balances ranged from $25,000 to $200,000, and the cash balance was $2.1 million at year end.

Credit unions are eligible for loans of up to $200,000 if a majority of their members are designated as low income by federal guidelines, if they are in good financial condition, and have an acceptable plan for use of the funds. Credit unions must match their loans with an increase in member funds.

At year end as it prepared to accept 1992 applications, the NCUA Board revised its policies to better reflect current market conditions. Interest rates can now range between 1 and 3 percent. It also eased the time in which a credit union must meet its matching requirement.

Community Development Revolving Loan Program completed second successful year under NCUA management.

Share Insurance Fund Reaches $2.3 Billion

Total fund capitalization of the National Credit Union Share Insurance Fund reached $2.3 billion at the end of fiscal year 1991 in spite of record insurance losses.

Although both credit unions and the fund remained healthy and strong, the NCUA Board in September assessed the first insurance premium since 1984. The Board acted so that the fund would continue to reflect the overall strength of the credit union system.

The agency recognized one quarter of the premium revenue, $41.2 million, as income in fiscal year 1991, bringing total revenue for the year to $207.4 million. After administrative costs of $40.4 million and losses of $163 million, net income for fiscal year 1991 was $4.1 million–compared to a net income of $35.1 million in 1990.

In fiscal year 1991, 89 involuntary liquidations and 41 assisted mergers brought total failures to 130 compared to 164 in 1990. Although fewer credit unions failed, their closing cost $77 million compared with $49 million in 1990. The largest loss in 1991, $20.9 million, resulted from the failure of Barnstable Community Federal Credit Union, Hyannis, Mass.

Losses per $1,000 of insured shares climbed from 51 cents in 1990 to 83 cents in 1991, for a five-year average of 53 cents. Of the $163 million in total

D. Michael Riley
Director, Office of Examination and Insurance

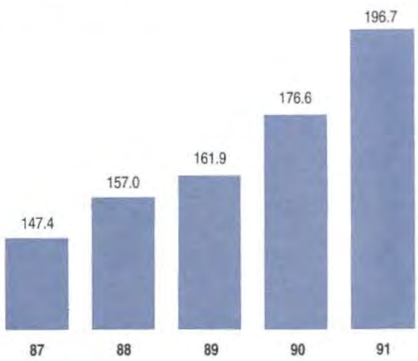
losses in 1991, 76 percent was due to federal credit union failures, up from 71 percent in 1990. For every $1,000 of insured shares, federal credit union insurance losses cost 99 cents, compared to 56 cents for federally insured state credit unions.

The Share Insurance Fund provides cash and non-cash assistance to financially impaired credit unions that have resolved their problems. On September 30, 52 credit unions had non-cash assistance of $179.5 million in capital guaranty accounts and nine had $35.1 million of cash assistance outstanding.

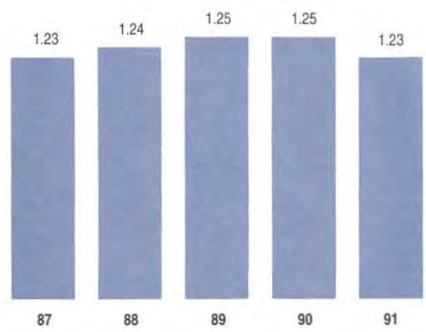
The Share Insurance Fund's equity ratio–the fund's balance as a percentage of insured shares–reached 1.26 percent on June 30, the end of the insurance year. In July, when the new midyear share base was used to calculate the ratio, it fell to 1.23 percent where it remained through the end of the fiscal year. On December 31, the ratio was 1.24.

By federal statute, Share Insurance Fund investments are limited to direct obligations of the U.S. Treasury or securities guaranteed by the U.S. Government. On September 30, 51 percent of the fund's investments had maturities of one year or less and none had maturity dates of more than three years. Reflecting lower interest rates, the average 1991 investment yield was 7.84 percent compared to 8.22 percent in 1990.

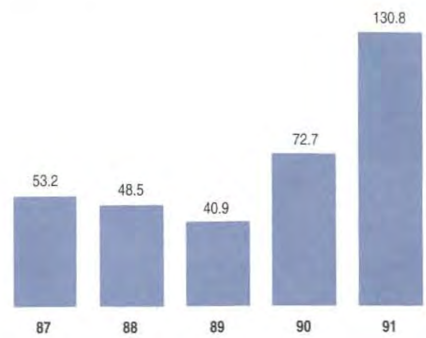
Total Insured Shares
(in billions–June 30)



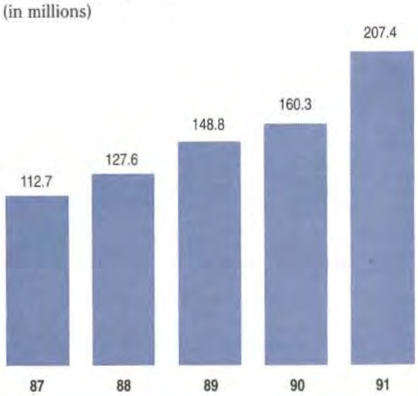
NCUSIF Equity Ratio
(by percent)



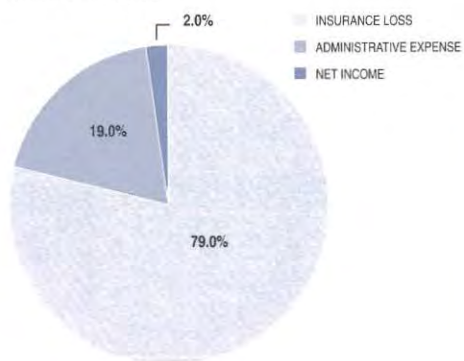
NCUSIF Reserves
(in millions)



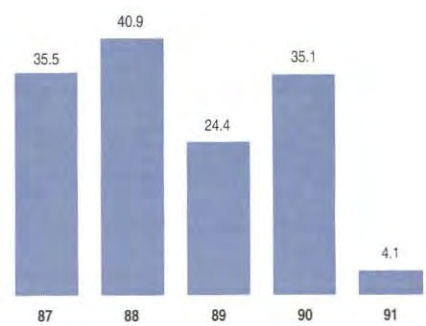
NCUSIF Gross Income
(in millions)



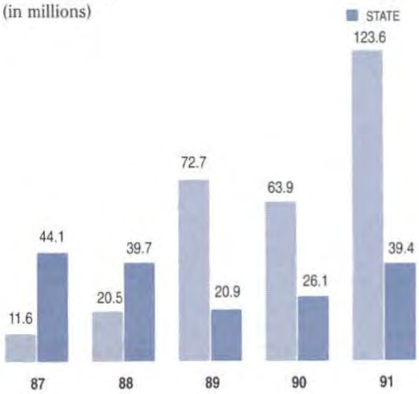
Income and Expense



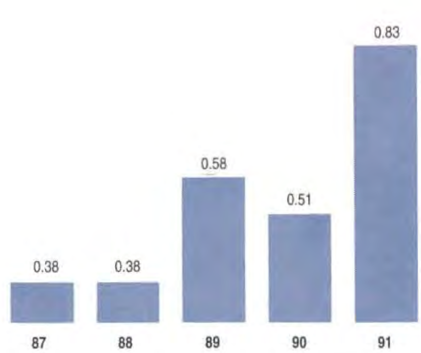
NCUSIF Net Income
(in millions)



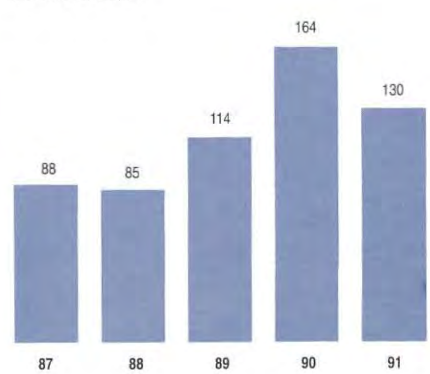
Insurance Loss
(in millions)



NCUSIF Losses per $1,000 of Insured Shares



Involuntary Liquidations and Assisted Mergers
Number of Cases



ALMC, CLF Reports

In 1991, NCUA successfully completed the consolidation of its asset management and liquidation functions within the Asset Liquidation Management Center in Austin, Texas.

The ALMC carried out its assignments in 1990 under considerable duress–before systems, staff, and support functions were in place. During 1991, the ALMC acquired adequate space and reached full staffing. NCUA's Office of Information Systems almost completely rebuilt the computer system and by May computer-generated records were problem free.

With staff and systems in place, ALMC reduced the average liquidation payout period to less than three days. It proved capable of managing assets on a national scale and had increased returns from acquired assets.

During 1991, ALMC–

- Managed 153 liquidations of which 40 were completed,
- Managed $131 million in consumer loans, and collected $30.1 million,
- Sold 79 properties for $16.4 million,
- Managed some 800 assets with a book value of $94 million, and
- Settled 22 bond claims totaling $5 million.

The Central Liquidity Facility, a source of short-term funds for the credit union system, paid dividends of $29 million to its member credit unions in 1991. This is a 6.2 percent return on member capital and deposits.

At the end of the fiscal year, September 30, CLF had total assets of $633.2 million, and $114.6 million in outstanding loans, up from $66.6 million in 1990.

In 1991, CLF had net income of $29.6 million and total operating expenses of $858,609, less than the $893,000 budget approved by Congress. Reserves increased $633,817, exceeding the target of $600,000 set by the NCUA Board.

CLF's member credit unions or their designated agents purchase stock equal to one-half of one percent of unimpaired capital and surplus. Member equity on September 30 was $505.3 million, compared with $460.7 million the previous year.

CLF investments had an average maturity of 112 days at year end and the average yield in 1991 was 6.3 percent, compared to 6.2 percent for 90-day U.S. Treasury bills.

Financial Results

NCUA's financial condition remained strong during 1991. Careful budget management held expenses to 1.8 percent below budget. Revenue exceeded total expenses and the Operating Fund equity level grew from $8.1 million to $9.5 million during the fiscal year, October 1, 1990, through September 30, 1991.

The following pages contain the opinion of the independent accountants, Price Waterhouse, and the comparative financial statements of the Operating Fund for fiscal years 1991 and 1990. For the seventh consecutive year, the independent accountants rendered an unqualified opinion.

NCUA's operating expenses are accounted for jointly by the National Credit Union Share Insurance Fund and NCUA's Operating Fund. The allocation of expenses occurs monthly through a procedure known as the overhead transfer. The overhead transfer rate, based on an employee time survey, is set annually by the NCUA Board.

During fiscal year 1991, each fund was again charged 50 percent of actual costs. Of the total budget of $77.2 million, $75.8 million was actually spent.

Revenue to fund the expenses charged to the Operating Fund comes primarily from operating fees collected annually from federal credit unions. The fund also receives revenue from interest earned on short-term investments of cash held for current operations, sales of publications, fees charged for examinations when privately insured credit unions apply for federal insurance, and lesser amounts from other miscellaneous sources.

Actual revenue realized during fiscal year 1991 was about 0.5 percent higher than original budget projections. This slightly higher revenue, combined with below-budget expenses, resulted in revenue exceeding expenses by $1.36 million. The result is a corresponding increase in the fund's equity balance.

Operating Fund Report and Financial Statements for the Years Ended September 30, 1991 and 1990

Report of Independent Accountants

To the Board of the National Credit Union Administration

In our opinion, the statements appearing on pages 16 through 20 of this report present fairly, in all material respects, the financial position of the National Credit Union Administration–Operating Fund at September 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the financial audit requirements of *Government Auditing Standards* issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Price Waterhouse
Washington, DC
November 12, 1991

Operating Fund Balance Sheets

ASSETS	September 30, 1991	1990
Cash and cash equivalents	$ 14,722,081	$ 10,916,298
Due from National Credit Union Share Insurance Fund (Note C)	1,662,690	626,060
Employee advances	331,797	323,807
Other accounts receivable	491,328	649,181
Prepaid expenses	262,791	255,991
Office building and land, net of accumulated depreciation of $148,397 and $105,469	2,228,110	2,152,483
Furniture and equipment, net of accumulated depreciation of $5,987,577 and $4,781,457	2,598,256	3,317,099
Leasehold improvements, net of accumulated amortization of $348,536 and $215,327	208,243	328,687
Total assets	**$22,505,296**	**$18,569,606**

LIABILITIES AND FUND BALANCE	1991	1990
Accounts payable	$ 2,951,600	$ 2,047,851
Accrued wages and benefits	3,781,730	2,599,835
Accrued annual leave	3,611,811	3,026,219
Accrued employee travel	737,858	763,325
Note payable to National Credit Union Share Insurance Fund (Note C)	1,908,766	1,980,766
Total liabilities	**12,991,765**	**10,417,996**
Fund balance:		
Available for operations	6,387,688	4,334,107
Invested in fixed assets, net	3,125,843	3,817,503
Total fund balance	**9,513,531**	**8,151,610**
Commitments (Note D)		
Total liabilities and fund balance	**$22,505,296**	**$18,569,606**

The accompanying notes are an integral part of these financial statements.

Operating Fund Statements of Revenue, Expenses and Changes in Fund Balance

	Year Ended September 30,	
REVENUE	**1991**	**1990**
Operating fees	$ 36,689,668	$ 32,294,318
Interest	1,641,420	1,638,702
Other	955,320	339,513
Total revenue	**39,286,408**	**34,272,533**
EXPENSES (NOTE C)		
Employee wages and benefits	25,741,747	20,801,076
Travel	4,305,899	3,648,450
Rent, communications, and utilities	2,816,848	2,308,434
Contracted services	1,698,479	1,232,397
Other administrative expenses	3,361,514	3,805,484
Total administrative expenses	**37,924,487**	**31,795,841**
Excess of revenue over expenses	1,361,921	2,476,692
Fund balance at beginning of year	8,151,610	5,674,918
Fund balance at end of year	$ 9,513,531	$ 8,151,610

The accompanying notes are an integral part of these financial statements.

Operating Fund Statements of Cash Flows

	Year Ended September 30,	
	1991	1990
Cash flows from operating activities:		
Excess of revenue over expenses	$ 1,361,921	$ 2,476,692
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	1,882,672	1,716,332
Changes in operating assets and liabilities:		
Amounts due from National Credit Union Share Insurance Fund	(1,036,630)	(434,339)
Employee advances	(7,990)	68,580
Other accounts receivable	157,853	(395,157)
Prepaid expenses	(6,800)	(8,946)
Accounts payable	903,749	552,321
Accrued wages and benefits	1,181,895	381,691
Accrued annual leave	585,592	116,959
Accrued employee travel	(25,467)	(97,599)
Net cash provided by operating activities	4,996,795	4,376,534
Cash flows from investing activities:		
Purchases of fixed assets	(1,119,012)	(453,225)
Proceeds from sale of fixed assets		11,946
Net cash used by investing activities	(1,119,012)	(441,279)
Cash flows from financing activities:		
Repayments of note payable	(72,000)	(72,000)
Net cash used by financing activities	(72,000)	(72,000)
Net increase in cash and cash equivalents	**3,805,783**	**3,863,255**
Cash and cash equivalents at beginning of year	**10,916,298**	**7,053,043**
Cash and cash equivalents at end of year	**$14,722,081**	**$10,916,298**

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
September 30, 1991 and 1990

Note A–Organization and Purpose

The National Credit Union Administration–Operating Fund (the Fund) was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration Board for the purpose of providing administration and service to the Federal Credit Union System.

Note B–Significant Accounting Policies

Cash Equivalents

The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. All investments in fiscal years 1991 and 1990 were cash equivalents and are stated at cost which approximates market. Cash equivalents are highly liquid investments with original maturities of three months or less.

Depreciation and Amortization

Building, furniture and equipment, and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the building and furniture and equipment and the shorter of the estimated useful life or lease term for leasehold improvements. Estimated useful lives are forty years for the building and three to ten years for the furniture and equipment and leasehold improvements.

Operating Fees

The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding June 30. The fee is designed to cover the costs of providing administration and service to the Federal Credit Union System. The Fund recognizes operating fee revenue ratably over the fiscal year.

Income Taxes

The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

Note C–Transactions with the National Credit Union Share Insurance Fund (NCUSIF)

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board derived from an estimate of actual usage. The allocation factor was 50% to NCUSIF and the Fund in the years ended September 30, 1991 and 1990. The cost of the services allocated to NCUSIF, which totaled approximately $37,924,000 and $31,796,000 for the years ended September 30, 1991 and 1990, respectively, are reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In fiscal year 1988, the Fund entered into a $2,160,766 thirty-year term note with NCUSIF, for the purchase of a building. The note is being repaid in monthly principal installments of $6,000 with interest at a variable rate. The average interest rate during fiscal years 1991 and 1990 was approximately 7.96% and 8.22%, respectively. The outstanding principal balance at September 30, 1991, was $1,908,766. The total interest paid in fiscal years 1991 and 1990 was $155,000 and $166,000, respectively.

Note D–Commitments

The Fund leases office space under lease agreements which expire through 1998. Office rental charges for the years ended September 30, 1991 and 1990, amounted to approximately $2,597,000 and $2,640,000 of which approximately $1,478,000 and $1,320,000 was reimbursed by NCUSIF, respectively. In addition, the Fund leases office equipment under operating leases with lease terms less than one year.

The future minimum lease payments as of September 30, 1991, are as follows:

1992	$2,401,711
1993	2,229,523
1994	1,747,742
1995	517,822
1996	202,934
Thereafter	405,869
	$7,505,601

FEDERAL CREDIT UNIONS

Consolidated Balance Sheet

December 31 (in thousands)

	1990	1991	Percentage Change
ASSETS			
Cash	$ 2,819,650	$ 3,268,024	15.9%
Loans outstanding	83,029,348	84,135,662	1.3
Allowance for loan losses	-783,932	-1,060,836	35.3
U.S. Gov/Fed Agency Securities	11,753,096	17,773,171	51.2
Commercial banks	7,152,405	8,232,385	15.1
S&Ls and mutual savings banks	6,335,082	6,606,805	4.3
Corporate credit unions	13,368,516	16,638,754	24.5
Mutual funds	902,467	1,857,391	105.8
NCUSIF capitalization deposit	1,048,313	1,146,938	9.4
Other investments	663,070	1,189,742	79.4
Total investments	**$ 41,222,949**	**53,445,185**	**29.6**
Allowance for investment losses	-37,579	-31,081	-17.3
Land and building (net of depreciation)	1,693,734	1,784,599	5.4
Other fixed assets	666,927	665,186	-0.3
Other assets	1,461,855	1,708,866	16.9
Total assets	**$130,072,955**	**$143,915,605**	**10.6**
LIABILITIES			
Notes payable	1,029,424	1,420,503	38.0
Dividends payable	729,456	672,225	-7.8
Accounts payable and other liabilities	669,960	806,548	20.4
Total liabilities	**$ 2,428,840**	**$ 2,899,376**	**19.4**
EQUITY/SAVINGS			
Regular shares	50,808,955	59,378,570	16.9
Share certificates	26,671,113	24,497,666	-8.1
IRA/Keogh accounts	17,705,459	19,618,529	10.8
Share drafts	11,730,950	13,181,605	12.4
All other shares	10,975,463	13,465,098	22.7
Total savings	**$117,891,940**	**$130,141,467**	**10.4**
Regular reserves	3,890,369	4,152,402	6.7
Other reserves	1,268,067	1,385,231	9.2
Undivided earnings	4,593,738	5,337,129	16.2
Total equity/savings	**$127,644,115**	**$141,016,229**	**10.5**
Total liabilities/equity	**$130,072,955**	**$143,915,605**	**10.6**

1990 data has been revised to reflect the 1990 year end statistics for federally insured credit unions

Consolidated Income and Expense Statement
December 31 (in thousands)

	1990	1991	Percentage Change
INCOME			
Interest on loans	$ 9,319,244	$ 9,349,616	0.3%
Less: Interest refund	-9,321	-8,644	-7.3
Income from investments	3,152,746	3,308,210	4.9
Other operating income	770,021	906,869	17.8
Total gross income	**$13,232,689**	**$13,556,052**	**2.4**
EXPENSES			
Employee compensation and benefits	1,982,418	2,124,946	7.2
Travel and conference expenses	66,243	67,536	2.0
Office occupancy	251,878	274,732	9.1
Office operations expense	893,565	968,447	8.4
Educational and promotional	101,944	106,047	4.0
Loan servicing expense	133,667	151,719	13.5
Professional and outside services	321,034	341,625	6.4
Provision for loan losses	671,034	678,565	1.1
Provision for investment losses	5,767	4,377	-24.1
Member insurance	138,716	169,562	22.2
Operating fees	33,427	47,018	40.7
Miscellaneous operating expenses	130,674	132,231	1.2
Total operating expenses	**$ 4,730,366**	**$ 5,066,805**	**7.1**
NON-OPERATING GAINS OR LOSSES			
Gain (loss) on investments	2,279	22,399	882.8
Gain (loss) on disposition of assets	6,207	-8,124	-230.9
Other non-operating income (expense)	7,691	5,765	-25.0
Total income (loss) before cost of funds	**$ 8,518,500**	**$ 8,509,286**	**-0.1**
COST OF FUNDS			
Interest on borrowed money	83,165	70,038	-15.8
Dividends	7,372,331	7,182,590	-2.6
Net transfer to statutory reserves	**$ 222,366**	**$ 169,502**	**-23.8**
Net income (loss) after costs of funds and net reserve transfers	**$ 841,639**	**$ 1,087,156**	**29.3**

1990 data revised to reflect the 1990 year end statistics for federally insured credit unions

Note: Because of rounding, detail may not add to totals

Loans Outstanding

December 31 (in millions)

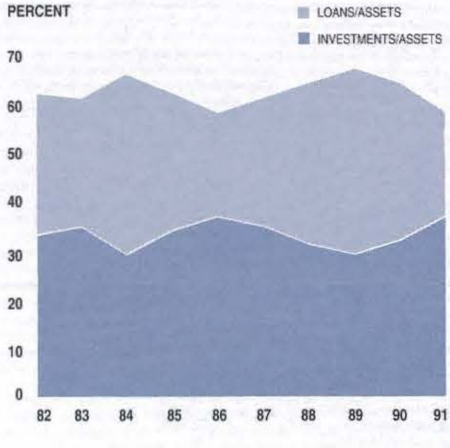
	1987	1988	1989	1990	1991
Loans outstanding	$64,104	$73,766	$80,272	$83,029	$84,136
Allowance for loan losses	466	542	643	784	1,061
Regular reserves	2,764	3,163	3,538	3,890	4,152
Amount of delinquent loans	1,219	1,326	1,417	1,432	1,363
Loans charged off	448	522	612	653	690
Recoveries on loans	64	81	86	101	109
Provision for loan losses	418	489	589	671	679
SIGNIFICANT RATIOS (as a percentage of loans outstanding)					
Alllowance for loan losses	0.73%	0.73%	0.80%	0.94%	1.26%
Regular reserves	4.31	4.29	4.41	4.69	4.93
Delinquent loans	1.90	1.80	1.77	1.73	1.62
Loans charged off	0.70	0.71	0.76	0.79	0.82
Net loans charged off	0.60	0.60	0.66	0.67	0.69
Provision for loan losses	0.65	0.66	0.73	0.81	0.81

Percentage Distribution of Savings by Type of Account

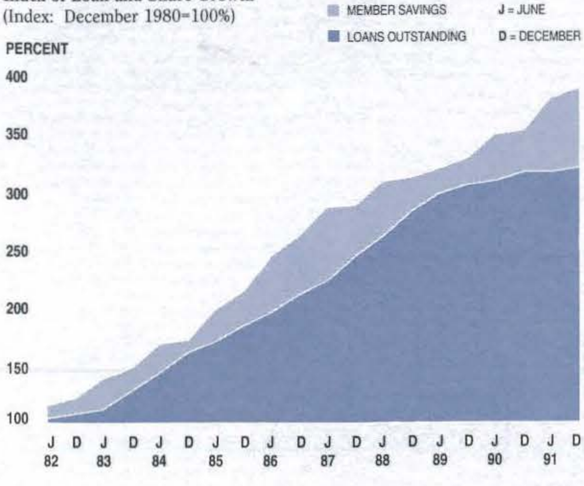
December 31 (in millions)

Type of Account	1987	1988	1989	1990	1991
Regular shares	71.2%	68.1%	63.2%	62.4%	66.1%
Share drafts	10.0	9.7	10.0	10.0	10.1
Other regular shares	61.2	58.4	53.2	52.4	56.0
Share certificates	28.8	31.9	36.8	37.6	33.9
IRA and Keogh	14.2	14.2	14.6	15.0	15.1
Other certificates	14.6	17.7	22.2	22.6	18.8
Total savings	**$96,346**	**$104,431**	**$109,653**	**$117,892**	**$130,141**

Loan and Investment Ratios



Index of Loan and Share Growth
(Index: December 1980=100%)



Annual Growth Rates in Reserves and Undivided Earnings

	1987	1988	1989	1990	1991
Total reserves	16.0%	15.3%	12.6%	11.3%	11.6%
Regular reserve	14.4	14.4	11.9	10.0	6.9
Other reserves	7.5	9.5	9.5	10.0	9.4
Undivided earnings	20.6	18.0	14.2	12.8	16.3

Federal Credit Unions by State
December 31

	Number FCUs 1991	Assets (in millions) 1991	Assets (in millions) 1990	Percent Change 1990 to 1991
Alabama	122	$ 1,992	$ 1,829	8.9%
Alaska	16	1,454	1,290	12.7
Arizona	47	2,038	1,810	12.6
Arkansas	77	596	514	16.0
California	625	23,269	21,272	9.4
Colorado	119	2,656	1,974	34.6
Connecticut	187	2,615	2,427	7.7
Delaware	54	583	508	14.7
District of Columbia	95	2,064	1,964	5.1
Florida	193	7,877	7,086	11.2
Georgia	187	2,277	2,077	9.6
Guam	3	101	88	15.2
Hawaii	124	2,881	2,591	11.2
Idaho	43	579	532	8.9
Illinois	228	2.347	2,071	13.3
Indiana	266	4,662	4,348	7.2
Iowa	6	43	41	4.2
Kansas	40	425	387	9.9
Kentucky	104	1,220	1,103	10.6
Louisiana	273	2,167	1,915	13.2
Maine	99	1,390	1,310	6.1
Maryland	157	4,045	3,465	16.7
Massachusetts	229	3,742	3,855	-2.9
Michigan	210	4,586	4,225	8.5
Minnesota	61	1,973	1,791	10.2
Mississippi	115	790	704	12.3
Missouri	22	191	174	10.0

Note: Because of rounding, detail may not add totals

Number of Federal Credit Unions by Asset Size
December 31

Asset Size	Number of FCUs	Percentage of Total	Cumulative Percentage
Less than $50 thousand	123	1.5%	1.5%
$50 to $100 thousand	150	1.8	3.3
$100 to $250 thousand	462	5.6	8.9
$250 to $500 thousand	604	7.3	16.3
$500 thousand to $1 million	869	10.6	26.8
$1 million to $2 million	1,113	13.5	40.4
$2 million to $5 million	1,583	19.2	59.6
$5 million to $10 million	1,152	14.0	73.6
$10 million to $20 million	836	10.2	83.8
$20 million to $50 million	755	9.2	92.9
$50 million to $100 million	290	3.5	96.5
$100 million and over	292	3.5	100.0
Total	**8,229**		

Federal Credit Unions by State
December 31 (continued)

	Number FCUs 1991	Assets (in millions) 1991	Assets (in millions) 1990	Percent Change 1990 to 1991
Montana	81	$ 626	$ 572	9.4%
Nebraska	67	735	666	10.3
Nevada	26	898	836	7.4
New Hampshire	17	551	533	3.4
New Jersey	393	3,812	3,490	9.2
New Mexico	38	1,163	1,015	14.6
New York	780	11,364	10,408	9.2
North Carolina	86	1,790	1,678	6.7
North Dakota	25	87	85	1.9
Ohio	431	3,473	3,204	8.4
Oklahoma	80	1,140	1,043	9.3
Oregon	118	1,600	1,469	8.9
Pennsylvania	924	6,884	6,216	10.7
Puerto Rico	31	202	184	10.0
Rhode Island	12	18	16	14.5
South Carolina	91	2,072	1,821	13.8
South Dakota	68	454	410	10.7
Tennessee	122	2,166	2,012	7.7
Texas	581	11,464	10,066	13.9
Utah	51	458	430	6.6
Vermont	7	184	160	15.2
Virgin Islands	5	15	12	26.7
Virginia	206	10,548	9,132	15.5
Washington	107	2,241	1,992	12.5
West Virginia	139	885	802	10.4
Wisconsin	2	189	164	15.3
Wyoming	39	332	296	12.3
Total	**8,229**	**$143,916**	**$130,063**	**10.7%**

Note: Because of rounding, detail may not add to totals

Federal Credit Unions by Asset Size
December 31

Asset Size	Assets (in thousands)	Percentage of Total	Cumulative Percentage
Less than $50 thousand	$ 2,491	0.0	0.0
$50 to $100 thousand	11,118	0.0	0.0
$100 to $250 thousand	81,906	0.1	0.1
$250 to $500 thousand	221,521	0.2	0.2
$500 thousand to $1 million	631,273	0.4	0.7
$1 million to $2 million	1,627,379	1.1	1.8
$2 million to $5 million	5,183,295	3.6	5.4
$5 million to $10 million	8,175,707	5.7	11.1
$10 million to $20 million	11,911,668	8.3	19.3
$20 million to $50 million	22,548,881	16.4	35.7
$50 million to $100 million	20,131,276	14.0	49.7
$100 million and over	72,389,089	50.3	100.0
Total	**$143,915,605**		

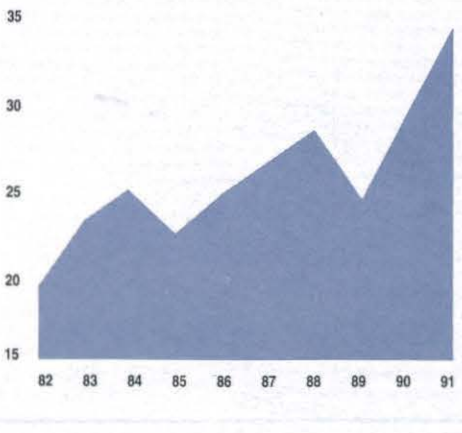
Total Investments 1987 to 1991

December 31 (in millions)

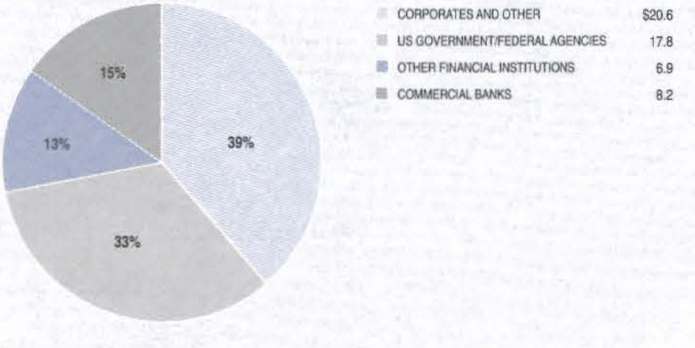
	1987	1988	1989	1990	1991
U.S. government obligations	$ 4,439	$ 4,123	$ 3,138	$ 3,912	$ 6,080
Federal agency securities	5,979	6,840	6,737	7,842	11,693
Mutual funds	1,193	949	800	902	1,857
Deposits in commercial banks	4,134	3,394	5,787	7,152	8,232
Deposits in S&Ls and savings banks	10,840	9,744	7,111	6,335	6,607
Shares/deposits in corporate CUs	6,286	6,798	9,342	13,369	16,639
NCUSIF capitalization deposits	815	948	1,000	1,048	1,147
Investments in other CUs	189	267	225	165	284
Other investments[1]	2,435	2,549	535	499	906
Allowance for investment losses	-58	-58	-38	-38	-31
Total investments	**$36,253**	**$35,554**	**$34,636**	**$41,186**	**$53,414**
PERCENTAGE BREAKDOWN PER YEAR					
U.S. government obligations	12.2%	11.6%	9.1%	9.5%	11.4%
Federal agency securities	16.5	19.2	19.5	19.0	21.9
Mutual funds	3.3	2.7	2.3	2.2	3.5
Deposits in commercial banks	11.4	9.5	16.7	17.4	15.4
Deposits in S&Ls and savings banks	29.9	27.4	20.5	15.4	12.4
Shares/deposits in corporate CUs	17.3	19.1	27.0	32.5	31.2
Share insurance/other capital deposits	2.2	2.7	2.9	2.5	2.1
Investments in other CUs	0.5	0.8	0.6	0.4	0.5
Other investments[1]	6.7	7.2	1.5	1.2	1.7
Total Investments	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1]Includes loans to other credit unions, shares in the Central Liquidity Facility and other investments.
1987 and 1988 figures include all federal funds.

Long Term Investments as a Percentage of Total Investments



Investments
(in billions)



CAMEL Rating System

December 31, Number by Categories

EWS/CAMEL Category	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Change
Codes 1 and 2	7,093	7,365	7,425	7,250	6,536	5,800	5,649	5,551	5,170	4,553	-617
Code 3	3,751	2,855	2,623	2,460	2,734	3,063	2,919	2,857	2,953	3,266	313
Code 4	661	646	451	375	440	486	480	386	367	381	14
Code 5	126	97	48	40	48	52	70	27	21	29	8
Total	**11,631**	**10,963**	**10,547**	**10,125**	**9,758**	**9,401**	**9,118**	**8,821**	**8,511**	**8,229**	**-282**

EWS (Early Warning System) replaced by CAMEL Rating System in 1987.

Federal Credit Unions Experiencing Losses

December 31

Year	Number of Federal Credit Unions	Number Experiencing Losses	Percentage of Total	Negative Earnings (in thousands)
1982	11,631	2,572	22.1%	$ 63,098
1983	10,963	2,443	22.3	45,434
1984	10,547	1,041	9.9	18,555
1985	10,125	1,178	11.6	31,604
1986	9,758	1,360	13.9	43,805
1987	9,401	1,481	15.8	71,410
1988	9,118	1,074	11.8	78,212
1989	8,821	1,008	11.4	126,383
1990	8,511	1,043	12.3	169,260
1991	8,229	903	11.0	$143,501

Federal Credit Unions Experiencing Losses by Asset Size

December 31

Asset Size	Number of FCUs	Assets	1991 Losses	Reserves and Undivided Earnings
Less than $1 million	342	$ 143,298,193	$ 3,034,832	$ 14,916,396
$1 million to $2 million	133	193,657,780	2,055,563	15,314,106
$2 million to $5 million	191	626,350,286	7,208,891	39,362,995
$5 million to $10 million	101	723,481,441	7,773,331	38,196,187
$10 million to $20 million	66	924,406,228	10,376,955	45,454,880
$20 million to $50 million	49	1,430,014,976	28,003,671	43,613,992
$50 million and over	21	2,186,155,951	85,047,691	-20,059,349
Total	**903**	**$6,227,364,855**	**$143,500,934**	**$176,799,207**

Selected Data for Federal Credit Unions

December 31, 1935 to 1991

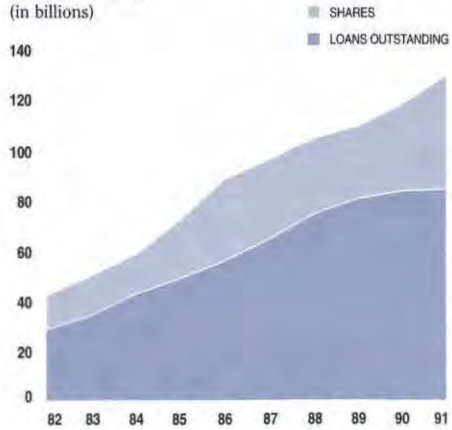
Year	Charters Issued	Charters Canceled	Net Change	Total Outstanding	Inactive Credit Unions	Active Credit Unions	Members	(amounts in thousands of dollars) Assets[1]	Shares[1]	Loans Outstanding
1935[1]	828		828	906	134	772	119,420	$ 2,372	$ 2,228	$ 1,834
1936	956	4	952	1,858	107	1,751	309,700	9,158	8,511	7,344
1937	638	69	569	2,427	114	22,313	483,920	19,265	17,650	15,695
1938	515	83	432	2,859	99	2,760	632,050	29,629	26,876	23,830
1939	529	93	436	3,295	113	3,182	850,770	47,811	43,327	37,673
1940	666	76	590	3,855	129	3,756	1,127,940	72,530	65,806	55,818
1941	583	89	494	4,379	151	4,228	1,408,880	106,052	97,209	69,485
1942	187	89	98	4,477	332	4,145	1,356,940	119,591	109,822	43,053
1943	108	321	213	4,264	326	3,938	1,311,620	127,329	117,339	35,376
1944	69	285	216	4,048	233	3,815	1,306,000	144,365	133,677	34,438
1945	96	185	89	3,959	202	3,757	1,216,625	153,103	140,614	35,155
1946	157	151	6	3,965	204	3,761	1,302,132	173,166	159,718	56,801
1947	207	159	48	4,013	168	3,845	1,445,915	210,376	192,410	91,372
1948	341	130	211	4,224	166	4,058	1,628,339	258,412	235,008	137,642
1949	523	101	422	4,646	151	4,495	1,819,606	316,363	285,001	186,218
1950	565	83	482	5,128	144	4,984	2,126,823	405,835	361,925	263,736
1951	533	75	458	5,586	188	5,398	2,463,898	504,715	457,402	299,756
1952	692	115	577	6,163	238	5,925	2,853,241	662,409	597,374	415,062
1953	825	132	693	6,856	278	6,578	3,255,422	854,232	767,571	573,974
1954	852	122	730	7,586	359	7,227	3,598,790	1,033,179	931,407	681,970
1955	777	188	589	8,175	369	7,806	4,032,220	1,267,427	1,135,165	863,042
1956	741	182	559	8,734	384	8,350	4,502,210	1,529,202	1,366,258	1,049,189
1957	662	194	468	9,202	467	8,735	4,897,689	1,788,768	1,589,191	1,257,319
1958	586	255	331	9,533	503	9,030	5,209,912	2,034,866	1,812,017	1,379,724
1959	700	270	430	9,963	516	9,447	5,643,248	2,352,813	2,075,055	1,666,526
1960	685	274	411	10,374	469	9,905	6,087,378	2,669,734	2,344,337	2,021,463
1961	671	265	406	10,780	509	10,271	6,542,603	3,028,294	2,673,488	2,245,223
1962	601	284	317	11,097	465	10,632	7,007,630	3,429,805	3,020,274	2,560,722
1963	622	312	310	11,407	452	10,955	7,499,747	3,916,541	3,452,615	2,911,159
1964	580	323	257	11,664	386	11,278	8,092,030	4,559,438	4,017,393	3,349,068
1965	584	270	324	11,978	435	11,543	8,640,560	5,165,807	4,538,461	3,864,809
1966	701	318	383	12,361	420	11,941	9,271,967	5,668,941	4,944,033	4,323,943
1967	636	292	344	12,705	495	12,210	9,873,777	6,208,158	5,420,633	4,677,480
1968	662	345	317	13,022	438	12,584	10,508,504	6,902,175	5,986,181	5,398,052
1969	705	323	382	13,404	483	12,921	11,301,805	7,793,573	6,713,385	6,328,720

[1]Data for 1935-44 are partly estimated.

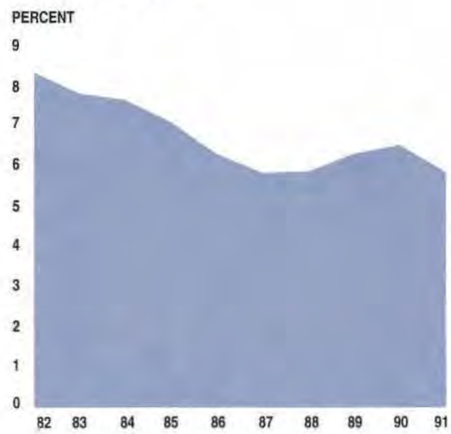
Selected Data for Federal Credit Unions
December 31, 1935 to 1991 (continued)

								(amounts in thousands of dollars)		
Year	Charters Issued	Charters Canceled	Net Change	Total Outstanding	Inactive Credit Unions	Active Credit Unions	Members	Assets	Shares	Loans Outstanding
1970	563	412	151	13,555	578	12,977	11,966,181	$ 8,860,612	$ 7,628,805	$ 6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,533,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974	367	369	-2	12,972	224	12,748	15,870,434	16,714,673	14,370,744	12,729,653
1975	373	334	39	13,011	274	12,737	17,066,428	20,208,536	17,529,823	14,868,840
1976	354	387	-33	12,978	221	12,757	18,623,862	24,395,896	21,130,293	18,311,204
1977	337	315	22	13,000	250	12,750	20,426,661	29,563,681	25,576,017	22,633,860
1978	348	298	50	13,050	291	12,759	23,259,284	34,760,098	29,802,504	27,686,584
1979	286	336	-50	13,000	262	12,738	24,789,647	36,467,850	31,831,400	28,547,097
1980	170	368	-198	12,802	362	12,440	24,519,087	40,091,855	36,263,343	26,350,277
1981	119	554	-435	12,367	398	11,969	25,459,059	41,905,413	37,788,699	27,203,672
1982	114	556	-442	11,925	294	11,631	26,114,649	45,482,943	41,340,911	28,184,280
1983	107	736	-629	11,296	320	10,976	26,798,799	54,481,827	49,889,313	33,200,715
1984	135	664	-529	10,767	219	10,548	28,191,922	63,656,321	57,929,124	42,133,018
1985	55	575	-520	10,247	122	10,125	29,578,808	78,187,651	71,616,202	48,240,770
1986	59	441	-382	9,865	107	9,758	31,041,142	95,483,828	87,953,642	55,304,682
1987	41	460	-419	9,446	45	9,401	32,066,542	105,189,725	96,346,488	64,104,411
1988	45	201	-156	9,290	172	9,118	34,438,304	114,564,579	104,431,487	73,766,200
1989	23	307	-284	9,006	185	8,821	35,612,317	120,666,414	109,652,600	80,272,306
1990	33	410	-377	8,629	118	8,511	36,241,607	130,072,955	117,891,940	83,029,348
1991	14	291	-277	8,352	123	8,229	37,065,882	143,915,605	130,141,467	84,135,662

Loans and Shares
(in billions)



Effective Cost of Shares



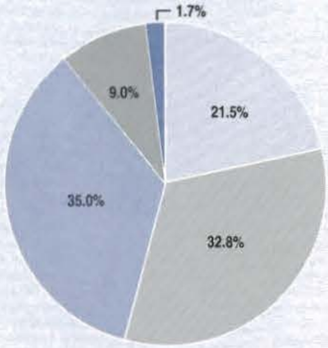
Federal Credit Union Data 10 Year Summary, 1982 to 1991

December 31 (dollar amounts in millions)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Number of credit unions	11,631	10,976	10,548	10,125	9,758	9,401	9,118	8,821	8,511	8,229
Number of members	26,114,649	26,798,799	28,191,922	29,578,808	31,041,142	32,066,542	34,438,304	35,612,317	36,241,607	37,065,882
Assets	$45,483	$54,482	$63,656	$78,188	$95,484	$105,190	$114,565	$120,666	$130,073	143,916
Loans outstanding	28,184	33,201	42,133	48,241	55,305	64,104	73,766	80,272	83,029	84,136
Shares	41,341	49,889	57,929	71,616	87,954	96,346	104,431	109,653	117,892	130,141
Reserves[1]	1,773	2,007	2,541	2,884	3,312	3,725	4,216	4,690	5,158	5,538
Undivided earnings	1,118	1,281	1,592	2,063	2,506	3,023	3,567	4,072	4,594	5,337
Gross income	5,406	6,064	7,454	8,526	9,416	10,158	11,173	12,420	13,233	13,556
Operating expenses	1,822	2,045	2,314	2,674	3,115	3,585	3,931	4,364	4,730	5,067
Dividends	3,185	3,573	4,413	5,090	5,506	5,624	6,148	6,910	7,372	7,183
Reserve transfers	147	166	260	282	250	237	232	265	222	170
Net income	244	287	473	521	626	688	799	781	841	1,087
PERCENT CHANGE										
Total assets	16.1%	19.8%	16.8%	22.8%	22.1%	10.2%	8.9%	5.3%	7.8%	10.6%
Loans outstanding	3.5	17.8	26.9	14.5	14.6	15.9	15.1	8.8	3.4	1.3
Savings	17.3	20.6	16.1	23.6	22.8	9.5	8.4	5.0	7.5	10.4
Reserves	9.9	13.2	22.1	17.7	14.8	12.5	13.2	11.2	10.0	7.4
Undivided earnings	23.4	14.6	24.3	29.6	21.5	20.6	18.0	14.2	12.8	16.2
Gross income	15.5	12.2	22.9	14.4	10.4	7.9	10.0	11.2	6.5	2.4
Operating expenses	9.8	12.2	13.2	15.6	16.5	15.1	9.7	11.0	8.4	7.1
Dividends	19.9	12.2	23.5	15.3	8.2	2.1	9.3	12.4	6.7	-2.6
Net reserve transfers	0.0	12.9	56.6	8.5	-11.3	-5.2	-2.1	14.2	-16.1	-23.8
Net income	11.4	17.6	64.8	10.1	20.2	9.9	16.1	-2.3	7.6	29.3
SIGNIFICANT RATIOS										
Reserves to assets	3.9%	3.7%	3.9%	3.7%	3.5%	3.5%	3.7%	3.9%	4.0%	3.8%
Reserves and undivided earnings to assets	6.4	6.0	6.4	6.3	6.1	6.4	6.8	7.3	7.5	7.6
Reserves to loans	6.3	6.0	5.8	6.0	6.1	5.8	5.7	5.8	6.2	6.6
Loans to shares	68.2	66.5	72.7	67.4	62.9	66.5	70.6	73.2	70.4	64.6
Operating expenses to gross income	33.7	33.7	31.0	31.4	33.1	35.3	35.2	35.1	35.7	37.4
Salaries and benefits to gross income	14.1	14.4	13.6	13.6	14.1	14.6	14.8	14.7	15.0	16.2
Dividends to gross income	58.9	58.9	59.2	59.7	58.5	55.4	55.0	55.6	55.7	53.0
Yield on average assets	12.8	12.1	11.7	12.0	10.8	10.1	10.2	10.6	10.6	9.9
Cost of funds to average assets	7.5	7.1	7.0	7.2	6.4	5.6	5.7	6.0	5.9	5.3
Gross spread	5.3	5.0	4.7	4.8	4.5	4.5	4.5	4.6	4.6	4.6
Net income divided by gross income	4.5	4.7	6.3	6.1	6.6	6.8	7.2	6.3	6.4	8.0
Yield on average loans	13.6	13.7	12.4	13.5	12.7	11.6	11.3	11.5	11.4	11.2
Yield on average investments	12.3	10.2	11.0	9.5	7.9	7.7	7.9	8.4	8.3	7.0

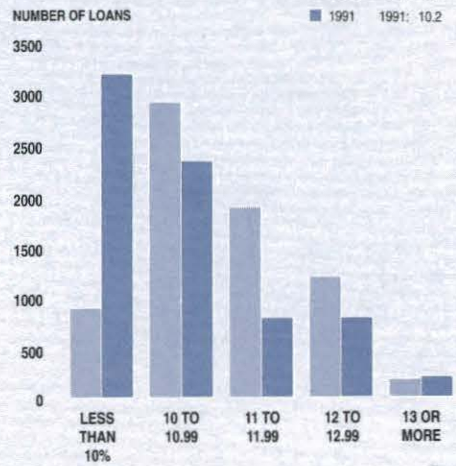
[1]Does not include the allowance for loan losses

Loan Distribution
(in millions)

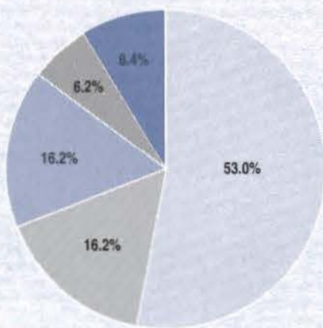


UNSECURED	$18,130
AUTO LOANS	27,615
REAL ESTATE	29,460
OTHER LOANS TO MEMBERS	7,550
MISCELLANEOUS:	
AGRICULTURAL	58
COMMERCIAL	1,001
NONMEMBER LOANS	321

Distribution of Interest Rates
New Car Loans

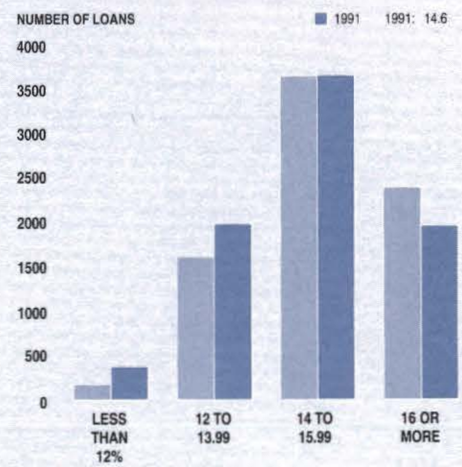


Uses of Funds
(in millions)

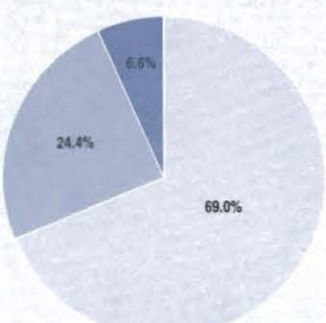


DIVIDENDS	$7,183
GENERAL & ADMINISTRATIVE	2,196
SALARIES/BENEFITS	2,192
RETAINED EARNINGS	847
TRANSFERS TO REGULAR AND OTHER RESERVES	1,139

Distribution of Interest Rates
Unsecured Loans

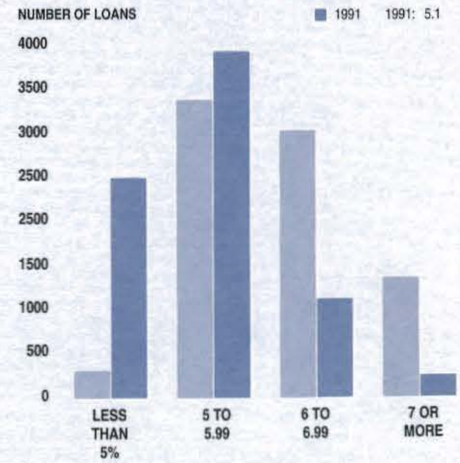


Sources of Income
(in millions)



LOANS	$9,350
INVESTMENTS	3,308
OTHER	898

Distribution by Dividend Rates
Regular Shares



STATE CREDIT UNIONS

Federally Insured State Credit Union Data 10 Year Summary, 1982 to 1991

December 31 (dollar amounts in millions)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Number of credit unions	5,023	4,915	4,645	4,920	4,935	4,934	4,760	4,552	4,349	4,731
Number of members	13,113,393	14,277,816	15,205,029	15,689,048	17,362,780	17,998,921	18,518,969	18,939,127	19,453,940	21,000,640
Assets	$24,089	$27,479	$29,188	$41,525	$52,244	$56,972	$60,740	$63,175	$68,133	$81,241
Loans outstanding	15,282	17,215	19,951	26,168	30,834	35,436	39,977	42,373	44,102	48,190
Shares	21,636	24,297	26,327	37,917	48,097	52,083	55,217	57,658	62,082	73,880
Reserves[1]	1,250	1,341	1,409	1,781	2,147	2,423	2,612	2,872	3,047	3,559
Undivided earnings	601	655	728	1,065	1,253	1,458	1,651	1,945	2,241	2,864
Gross income	2,879	3,062	3,428	4,508	5,117	5,483	5,973	6,529	6,967	7,717
Operating expenses	981	1,024	1,060	1,364	1,655	1,884	2,078	2,216	2,412	2,796
Dividends	1,584	1,747	1,975	2,684	3,004	3,049	3,290	2,930	3,908	4,121
Reserve transfers	131	130	179	227	201	184	158	150	118	95
Net income	190	165	219	256	288	355	470	457	509	698
PERCENT CHANGE										
Total assets	6.7%	14.1%	6.2%	42.3%	25.8%	9.0%	6.6%	4.0%	7.8%	19.2%
Loans outstanding	-0.4	12.6	15.9	31.2	17.8	14.9	12.8	6.0	4.1	9.3
Savings	8.1	12.3	8.4	44.0	26.8	8.3	6.0	4.4	7.7	19.0
Reserves	5.0	7.3	5.1	26.4	20.6	12.9	7.8	10.0	6.1	16.8
Undivided earnings	18.3	9.0	11.1	46.3	17.7	16.4	13.2	17.8	15.2	27.8
Gross income	4.9	6.4	12.0	31.5	13.5	7.2	8.9	9.3	6.7	10.8
Operating expenses	8.4	4.4	3.5	28.7	21.3	13.8	10.3	6.6	8.8	15.9
Dividends	1.9	10.3	13.1	35.9	11.9	1.5	7.9	-10.9	33.4	5.5
Net reserve transfers	2.3	-0.8	37.7	26.8	-11.5	-8.5	-14.1	-5.1	-21.3	-19.5
Net income	15.9	-13.2	32.7	16.9	12.5	23.3	32.4	-2.8	11.4	37.1
SIGNIFICANT RATIOS										
Reserves to assets	5.2%	4.9%	4.8%	4.3%	4.1%	4.3%	4.3%	4.5%	4.5%	4.4%
Reserves and undivided earnings to assets	7.7	7.3	7.3	6.9	6.5	6.8	7.0	7.6	7.8	7.9
Reserves to loans	8.2	7.8	7.1	6.8	7.0	6.8	6.5	6.8	6.9	7.4
Loans to shares	70.6	70.9	75.8	69.0	64.1	68.0	72.4	73.5	71.0	65.2
Operating expenses to gross income	34.1	33.4	30.9	30.3	32.3	34.4	34.8	33.9	34.6	36.2
Salaries and benefits to gross income	14.0	14.4	13.6	13.4	13.9	14.5	14.5	14.4	14.7	15.3
Dividends to gross income	55.0	57.1	57.6	59.5	58.7	55.6	55.1	44.9	56.1	53.4
Yield on average assets	12.3	11.9	12.1	12.7	11.2	10.4	10.1	10.5	10.6	10.3
Cost of funds to average assets	7.0	6.9	7.1	7.6	6.4	5.5	5.5	5.9	6.0	5.5
Gross spread	5.3	5.0	5.0	5.1	4.5	4.3	4.6	4.6	4.6	4.6
Net income divided by gross income	6.6	5.4	6.4	5.7	5.6	6.5	7.9	7.0	7.3	9.0
Yield on average loans	13.3	13.3	13.2	14.3	12.7	11.1	11.2	11.4	11.4	11.7
Yield on average investments	11.4	9.9	10.5	10.0	8.0	7.5	7.9	8.4	8.5	7.3

[1]Does not include the allowance for loan losses

CORPORATE CREDIT UNION DATA

Federal Corporate Credit Unions
December 31

Corporate Name	City, State	Assets (in millions)
Capital Corporate	Landover, Maryland	$ 794.1
Colorado Corporate	Arvada, Colorado	818.1
Eastern Corporate	Stoneham, Massachusetts	706.5
Empire Corporate	Albany, New York	1,752.4
Indiana Corporate	Indianapolis, Indiana	733.8
Kentucky Corporate	Louisville, Kentucky	223.0
LICU Corporate	Endicott, New York	7.6
Mid-Atlantic Corporate	Harrisburg, Pennsylvania	1,175.8
Mid-States Corporate	Naperville, Illinois	2,528.7
Nebraska Corporate Central	Omaha, Nebraska	123.6
Pacific Corporate	Honolulu, Hawaii	340.8
RICUL Corporate	Warwick, Rhode Island	214.0
South Dakota Corporate Central	Sioux Falls, South Dakota	60.1
Southeast Corporate	Tallahassee, Florida	1,372.6
Southwest Corporate	Dallas, Texas	4,806.7
Tricorp Federal Credit Union	Westbrook, Maine	380.2
Virginia League Corporate	Lynchburg, Virginia	560.0
Western Corporate	Pomona, California	8,406.0
Total		**$25,003.9**

Federally Insured State Corporate Credit Unions
December 31

Corporate Name	City, State	Assets (in millions)
Alabama Corporate	Birmingham, Alabama	$ 381.3
Central Credit Union Fund, Inc.	Worcester, Massachusetts	228.9
Constitution State Corporate	South Wallingford, Connecticut	813.0
Corporate Central Credit Union	Salt Lake City, Utah	200.6
Corporate Credit Union of Arizona	Phoenix, Arizona	440.2
Corporate One	Columbus, Ohio	882.3
Federacion de Cooperativas	San Juan, Puerto Rico	80.2
First Carolina Corporate	Greensboro, North Carolina	496.2
Georgia Central	Duluth, Georgia	827.4
Iowa League Corporate	Des Moines, Iowa	291.4
Louisiana Corporate	New Orleans, Louisiana	91.8
Minnesota Corporate	St. Paul, Minnesota	360.5
Oklahoma Corporate	Tulsa, Oklahoma	345.8
Oregon Corporate Central	Beaverton, Oregon	343.1
The Carolina Corporate	Columbia, South Carolina	228.1
Total		**$ 6,010.8**
U.S. Central Credit Union	Overland Park, Kansas	$28,511.0

Note: To prevent double counting of assets, U.S. Central Credit Union is excluded from total.

Key Statistics on Federally Insured Corporate Credit Unions

December 31 (Dollar amounts in millions)

	1987	1988	1989	1990	1991
Number	30	30	30	31	33
Assets	$12,473.4	$13,996.9	$17,206.4	$25,493.8	$31,014.8
Loans	1,302.8	1,584.7	1,026.2	1,172.4	1,172.8
Shares	10,699.4	11,234.6	14,501.6	20,012.3	25,856.9
Reserves	126.8	146.6	172.5	218.0	315.1
Undivided earnings	56.2	69.6	82.6	96.9	120.1
Gross income	927.5	1,084.1	1,485.4	1,904.1	1,928.3
Operating expenses	29.5	33.8	41.6	54.9	70.6
Interest on borrowing	75.7	139.7	260.0	323.9	285.5
Dividends and interest on deposits	790.6	877.4	1,145.4	1,465.5	1,457.6
Reserve transfers	17.5	16.8	18.8	27.8	18.0
Net income	14.7	17.2	19.9	32.5	74.2

SIGNIFICANT RATIOS

	1987	1988	1989	1990	1991
Reserves to assets	1.0%	1.0%	1.0%	0.9%	1.0%
Reserves and undivided earnings to assets	1.5	1.5	1.5	1.2	1.4
Reserves to loans	9.7	9.3	16.8	18.6	26.9
Loans to shares	12.2	14.1	7.1	5.9	4.5
Operating expenses to gross income	3.2	3.1	2.8	2.9	3.7
Salaries and benefits to gross income	1.3	1.3	1.1	1.0	1.3
Dividends to gross income	85.2	80.9	77.1	77.0	75.6
Yield on average assets	7.3	8.2	9.5	8.9	6.8
Cost of funds to average assets	6.8	7.7	9.0	8.4	6.2
Gross spread	0.5	0.5	0.5	0.5	0.6
Net income divided by gross income	1.6	1.6	1.3	1.7	3.8
Yield on average loans	7.5	9.1	13.3	9.8	8.0
Yield on average investments	7.6	8.2	9.5	9.1	6.9

Note: To prevent double counting, U.S. Central Credit Union is excluded from totals.

Historical Highlights

1909 ■ First U. S. credit union established in New Hampshire

1909 ■ Massachusetts enacts first credit union statute

1934 ■ Congress approves Federal Credit Union Act

1970 ■ Congress establishes independent National Credit Union Administration

1970 ■ Congress approves deposit insurance for credit unions, creates National Credit Union Share Insurance Fund

1979 ■ Three-member board replaces NCUA administrator

1979 ■ Congress creates Central Liquidity Facility

1985 ■ Credit unions recapitalize Share Insurance Fund

1986 ■ Congress says Share Insurance Fund backed by "full faith and credit of United States Government"

1991 ■ NCUA Board levies the first insurance premium since 1984

Officers

Roger W. Jepsen
Chairman

Shirlee P. Bowné
Vice Chairman

Robert H. Swan
Member of the Board

Donald E. Johnson
Executive Director

Rebecca J. Baker
Secretary of the Board

Robert M. Fenner
General Counsel

D. Michael Riley
Director
Office of Examination and Insurance

Robert E. Loftus
Director
Office of Public and Congressional Affairs

Herbert S. Yolles
Controller

Joan E. Perry
Inspector General

Benny R. Henson
Director
Office of Administration

Dorothy W. Foster
Director
Office of Human Resources

Joseph W. Visconti
Director
Office of Information Systems

Ronald Lewandowski
Acting President
Central Liquidity Facility

■ *Chairman Roger W. Jepsen, former member of the United States Senate from Iowa, was appointed by President Ronald Reagan in 1985 to an unexpired term and to a full six-year term in 1987.*

■ *Vice Chairman Shirlee Pearson Bowné was a real estate broker and a member of the board of the Florida Housing Finance Agency when she was appointed by President Bush in 1991.*

■ *Member Robert H. Swan, former president of Tooele Federal Credit Union and former Utah deputy director of finance, was appointed by President Bush. He took office in 1990.*

Art Direction & Design: Leigh Duvall, InnoVision, Alexandria, VA

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Albany, NY 12205
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Information

General information	202-682-9650
Office of the Board	202-682-9600
News about NCUA	800-755-1030 202-682-9660
Credit union data	202-682-9700
Credit union investments	800-755-5999
Member complaints	All regional offices
To report improper or illegal activity	800-827-9650

National Credit Union Administration
Washington, DC 20456

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NCUA's mission is to ensure the safety and soundness of credit unions and to provide a flexible regulatory environment which will facilitate sound credit union development, while efficiently and effectively managing the agency's resources and the Share Insurance Fund.

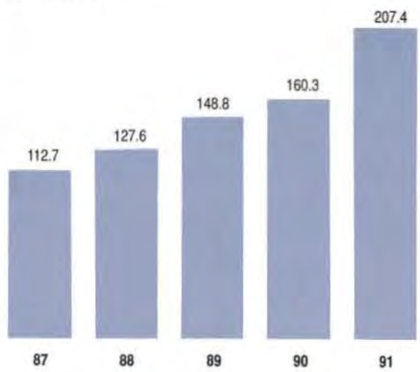
National Credit Union Share Insurance Fund

1991 Annual Report

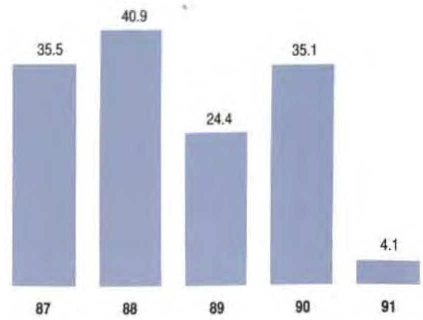
NCUSIF Highlights

Fiscal Year 1991

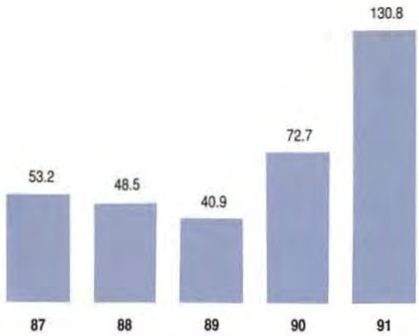
NCUSIF Gross Income
(in millions)



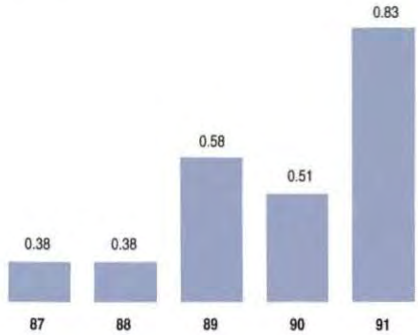
NCUSIF Net Income
(in millions)



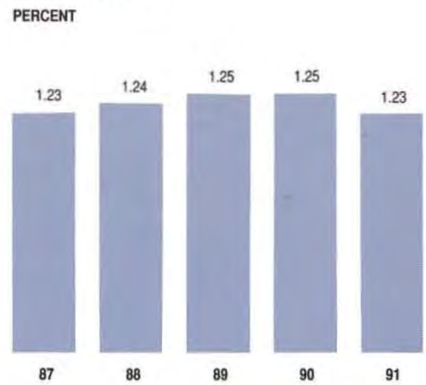
NCUSIF Reserves
(in millions)



NCUSIF Losses per $1,000 of Insured Shares
(in dollars)



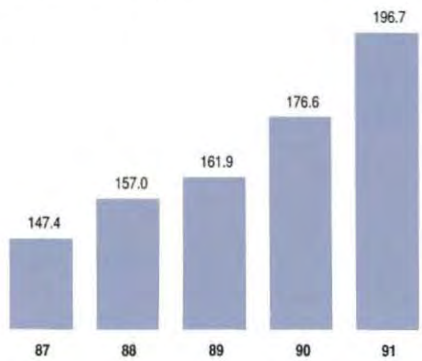
NCUSIF Equity Ratio



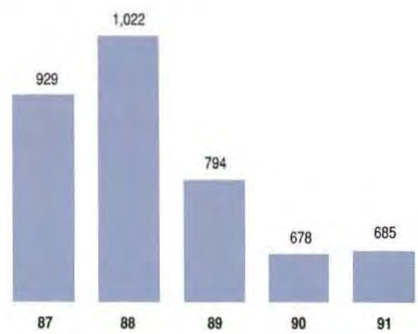
Credit Union Highlights

Fiscal Year 1991

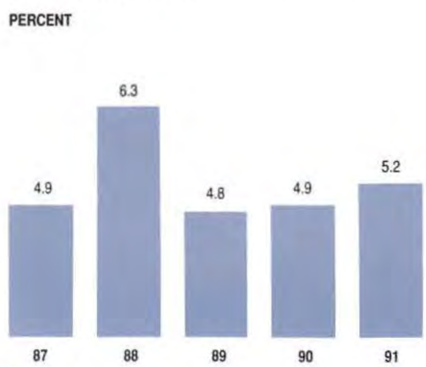
Total Insured Shares
(in billions–June 30)



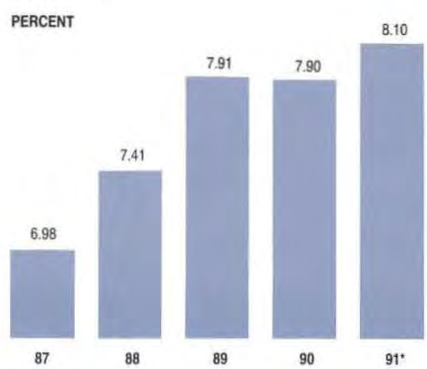
Number of Problem Credit Unions
CAMEL Codes 4 and 5



Percentage of CAMEL Code 4 and 5 Shares to Total Insured Shares

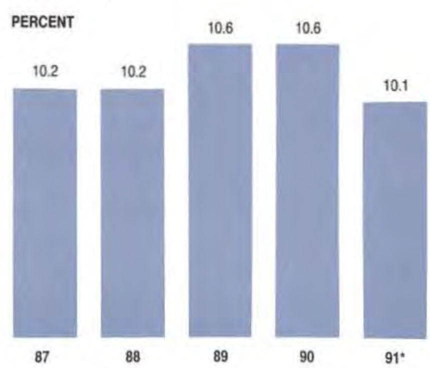


Credit Union Capital Ratio
December 31



*June 30

Credit Union Return on Assets Ratio
December 31



*June 30

CONTENTS

In Memoriam
Dr. Charles H. Bradford
1928–1991

National Credit Union

Share Insurance Fund

1991 Annual Report

Roger W. Jepsen

Chairman's Statement

The year 1991 has been one of momentous events for the NCUSIF and credit unions. In January, the collapse of the Rhode Island Share Deposit and Indemnity Corporation resulted in a flood of insurance applications from privately insured credit unions throughout the country. The fiscal year concluded in September with the NCUA Board's approval of the first insurance assessment since 1984. In between, both the long-awaited Treasury and General Accounting Office studies of credit unions and the NCUSIF were released, Congress continued its debate on banking and deposit insurance reform, and the NCUSIF recorded its largest insurance loss ever.

Despite record losses this year, the Fund still managed to earn over $4 million in net income for the year. The Fund's losses were concentrated in three credit unions that were heavily involved in real estate and commercial lending. Our insurance loss per thousand increased substantially, but it remained well below the record in 1982. Reserves for problem credit unions were raised to almost double that over last year's balance, and Fund equity grew to $2.3 billion. The NCUSIF continues to be the strongest of all federal insurers, and it was, for a short time in 1991, the largest of the federal deposit insurance funds.

The NCUSIF continued its sound accounting tradition and received its seventh consecutive unqualified audit opinion on the fiscal year-end financial statements from our independent auditors, Price Waterhouse. We also received unqualified opinions from the General Accounting Office on the 1989 and 1990 NCUSIF financial statements.

The Fund's high standing and financial health are a tribute to all of you. Through your innovative ideas and support, we have fine-tuned the NCUSIF into a model for all deposit insurance funds. Thank you for your support and commitment.

Roger W. Jepsen

Roger W. Jepsen
Chairman

Shirlee Bowné

Vice Chairman's Statement

As the newest member to the Board of Directors, I want to thank you for this opportunity to serve NCUA. It is a great honor and compliment for me to join an organization which has continuously received high praise from its counterparts and Congress, and is looked upon as a model for other deposit insurance funds. I am anxious and excited to begin my job, and plan to carry out my duties with the same strong commitment and purpose to sound business practice that I have adopted in my private life. One of my main areas of concern as Vice Chairman is to assure the stability of the NCUSIF. Since a large percentage of the Fund's losses are derived from inadequate business and commercial lending policies, I will focus much of my attention to these areas.

This upcoming year will be a learning process for me, and I look forward to meeting all of you in the future.

Shirlee Bowné

Shirlee Bowné
Vice Chairman

Robert H. Swan

Board Member's Statement

For NCUA and the nation's credit unions, 1991 has been a significant year.

The General Accounting Office and Department of Treasury both completed comprehensive studies of the credit union regulatory and insurance systems; the national recession helped NCUSIF register record losses; hundreds of privately insured credit unions moved under the mantle of federal insurance; and the NCUA Board voted to access the first deposit insurance premium since the fund was recapitalized in January of 1985.

Yet through it all, credit unions had one of their most profitable years ever and the insurance fund continues to be healthy and strong. Congress briefly considered and then rejected the notion that NCUA be merged with other financial regulators.

Our system of regulation and deposit insurance has been thoroughly tested and has survived intact. We should all be very proud of our accomplishments and reaffirm our dedication to continue working for safety and soundness during coming years.

Robert H. Swan

Robert H. Swan
Board Member

D. Michael Riley

Director's Message

This was a difficult, but none-the-less, successful year. The combination of losses, conversions, and a high rate of share growth made it necessary for the NCUA Board to assess an insurance premium for 1992. Without the premium, the Fund would have not been impaired, but would have been operating at a level below what we consider to be minimum.

Looking back over the year, I feel a sense of pride and accomplishment despite the record insurance losses. Our examiners demonstrated extreme professionalism and flexibility in completing their regular annual examinations and simultaneously meeting head-on the added demands of over four hundred insurance conversion reviews. Many had to sacrifice family plans and vacations in order to complete this extra workload.

I am also extremely pleased with credit union managers and officials for their support in the legislative arena. Most importantly, by operating sound, well-run credit unions, you have kept the credit union system safe and strong.

D. Michael Riley
Director, *Office of Examination and Insurance*

Fiscal Year in Review

October

- General Accounting Office testifies before House Banking Subcommittee stating that credit unions should not expense the one percent deposit because the NCUSIF is on "sound ground".
- A national survey by *The American Banker* indicates that credit union members remained the most satisfied consumers of financial services.
- CAMEL code 4 and 5 credit unions fell to new low as a result of the agency's intensive care program.

November

- The NCUSIF receives its sixth consecutive unqualified audit opinion from its independent auditors, Price Waterhouse.
- Rhode Island state regulators seize Heritage Loan and Investment Company insured by Rhode Island Share and Deposit Indemnity Corporation (RISDIC) after company president disappears. Depositors begin a four-day run on bank withdrawing over $22 million. NCUA begins insurance reviews on RISDIC insured credit unions who apply for federal insurance.
- FDIC Chairman Seidman tells Congress NCUSIF capitalization plan could be model to follow for bank fund recapitalization.

December

- American Bankers Association and five commercial banks in North Carolina file suit against NCUA, charging that the agency's field of membership and common bond policies violate the Federal Credit Union Act.
- NCUA Board waives the insurance premium for the seventh straight year, however, requests that the issue be revaluated in May 1991.

January

- Governor Sundlun of Rhode Island orders all institutions insured by RISDIC to close. RISDIC is placed into conservatorship and member deposit accounts are frozen. Included are 35 state chartered credit unions and 10 banks. Thirty-three credit unions apply for federal insurance and 24 are eventually approved. The collapse of RISDIC triggers legislative action in many states having privately insured credit unions.
- Credit unions in Florida, Missouri, and Texas begin orderly conversion to federal insurance.
- NCUSIF collects $135 million in capitalization deposit adjustments.

February

- Treasury Department releases its long awaited study of federal deposit insurance. Key recommendations contained in the report include the expensing by credit unions of the one percent deposit over a twelve year period, the appointment of a Treasury official to the NCUA Board, and limitations on the amount of deposit insurance.
- The Barth, Brumbaugh, and Litan study commissioned by California Credit Union League on the condition of credit unions and the NCUSIF is released.
- $330 million Progressive Consumers Federal Credit Union in Saugus, Massachusetts is placed into conservatorship.
- Former manager of Franklin Community Federal Credit Union, Lawrence E. King, pleads guilty to charges arising from the credit union's failure in 1988 which has cost the NCUSIF $39 million.

March

- Treasury Department unveils legislation to modernize the financial system. The legislation includes provisions for the one percent write-off, and placing a bank regulator on the NCUA Board.
- American Institute of Certified Public Accountants (AICPA) states in a letter to the Treasury Department that the current accounting treatment by the NCUSIF and credit unions for the one percent deposit is consistent with GAAP.
- A total of 164 state-chartered credit unions had been approved for federal insurance by March 31.

April

- Controversial member business loan regulation is reissued for comment after restoring the regulation's exemption for loans of less than $25,000. Revisions to original January proposal are out for a sixty day comment period. The proposed regulation limits total credit union member business loans to 100 percent of reserves.

- Legislation is introduced in California to have the state's privately insured credit unions convert to federal insurance by 1995. Credit unions will have the option of purchasing private insurance on amounts over $100,000. The bill is defeated several months later.

May

- NCUA Board waives the 1991 insurance premium for second time. The effect of conversions and the economic situation in New England do not justify an assessment at this time, however, the Board requests that the issue be reviewed once again in September 1991.
- Draft of the General Accounting Office study of credit unions and the NCUSIF is issued to NCUA and other regulatory agencies for comment. NCUA is given fifteen days to respond.
- Credit union write-off of the one percent deposit provision is removed from the Treasury bill by the House Banking Subcommittee. The amendment, offered by Representative Annunzio, passes by a vote of 23 to 11.
- $166 million Blue Hill Federal Credit Union in Brookline, Massachusetts is placed into conservatorship.

June

- NCUSIF equity level increases to 1.26 percent of insured shares.
- House Banking Committee removes the provisions for the one percent write down and placing a Treasury representative on the NCUA Board from the financial institution reform bill. Amendment is added by Representative Leach requiring federal deposit insurance for all credit unions.
- Lawrence E. King, Jr., former manager of Franklin Community Federal Credit Union, is sentenced to fifteen years in prison for acts which led to the credit union's failure in 1988.
- Barnstable Community Federal Credit Union liquidates at a cost of $21 million. This is the second largest liquidation in the history of the NCUSIF.

July

- NCUSIF insured natural person credit unions report excellent financial performance during first six months of calendar year 1991. Mid-year capital-to-asset ratio at a record level of 8.1 percent, insured shares and deposits increased 10.7 percent to $195 billion, and assets reflected similar growth to $219 billion.
- General Accounting Office releases 370 page report on two year study of credit unions and the NCUSIF. The report contained 48 recommendations affecting credit unions, regulation, and share insurance. Key recommendations include the expansion of the NCUA Board to a five member Board, and the write-off of the one percent deposit.

August

- Senate Banking Committee passes its version of the comprehensive banking reform legislation without any controversial credit union or NCUSIF provisions. The Senate Bill requires a statutory one percent increase in regular reserves for federal credit unions. This would replace the one percent write-off provisions recommended by GAO and Treasury.
- U.S. District Court in the District of Columbia dismisses American Bankers Association suit against NCUA over field of membership policy.

September

- NCUA Board votes to assess full insurance premium for insurance year 1992. Premiums are due in January 1992. One quarter ($41 million) of the insurance assessment due is recognized as NCUSIF income for the fiscal year.
- NCUSIF ends fiscal year 1991 with record $163 million in insurance losses, net income of $4.1 million, and an equity ratio of 1.23 percent.
- A total of 432 privately insured credit unions credit unions convert to the NCUSIF since January. These credit unions increase insured shares and deposits by $6.5 billion.
- Final business loan regulation is approved by NCUA Board. Regulation affects loans granted or committed after January 1, 1992. Limits on aggregate business loans of a credit union are to be determined by the board of directors.

Scope of Insurance Coverage

The National Credit Union Share Insurance Fund is the largest insurer of credit union shares and deposits. At June 30, 1991, NCUSIF insured credit unions had insured shares and deposits of $197 billion out of an estimated total of $205 billion in all credit union deposits nationwide. The table on the next page summarizes the share insurance requirements of the 50 states, the District of Columbia, and Puerto Rico.

During fiscal year 1991, the number of federally insured credit unions declined by 47 to 12,971. Federal credit unions make up 64 percent of this number, and the remaining 4,674 are federally insured state-chartered credit unions. Actual changes in the numbers of federally insured credit unions are shown below.

Although the number of credit unions dropped in 1991, the amount of insured shares in natural person credit unions is projected to increase by about 14 percent during the calendar year, raising total insured shares to $205 billion. Deposit growth has stabilized somewhat, however, credit unions have maintained a higher rate of growth than banks and savings and loans during the same period.

The number of conversions of privately insured credit unions to federally insured state-chartered credit unions jumped sharply from eight in 1990 to 432 in 1991. One other privately insured credit union converted to a federal charter, and nine converted from federally insured state-chartered to federally chartered. The large increase in 1991 was due to the failure of the Rhode Island Share Deposit and Guaranty Corporation and the subsequent fallout effect it had upon other private guaranty corporations. In addition to the state of Rhode Island, the states of Florida, Iowa, Kansas, Missouri, and Texas enacted either statutory or regulatory action requiring their credit unions to have

Changes in Federally Insured Credit Unions
Fiscal Year 1991

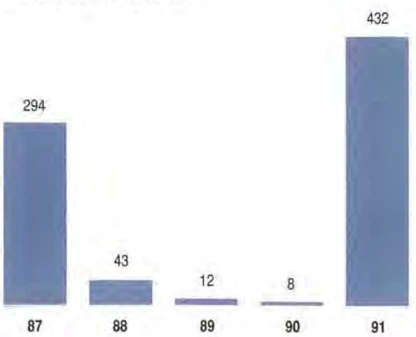
	Federal Credit Unions	Federally Insured State Credit Unions	Total
Beginning number 10/1/90	**8,595**	**4,423**	**13,018**
Additions:			
New federal charters	7	–	7
New state charters with Federal insurance certificates	–	–	–
Conversions	10	432	442
Resumed operations	5	5	5
Subtractions:			
Mergers			
Assisted	24	17	41
Voluntary	233	124	357
Liquidations:			
Involuntary	55	34	89
Voluntary	8	9	17
Conversions	–	2	2
Ending number 9/30/91	**8,297**	**4,674**	**12,971**
Net increase (decrease)	**(298)**	**251**	**(47)**

federal insurance. In other states, such as Georgia and Massachusetts, some credit unions have voluntarily switched to federal insurance. Since the Fund was capitalized in 1985, 1,337 privately insured credit unions have converted to federally insured state-chartered credit unions.

The effect of the 432 conversions upon the NCUSIF equity ratio for 1991 was negligible. If these conversions had not occurred during the fiscal year, the ratio would have not differed from its September 30, 1991 level of 1.23 percent.

Number of Federally Insured Credit Unions

Number of Conversions*



from privately insured to federally insured state-chartered credit unions

State Requires Participation in Insurance Program of National Credit Union Administration

Alabama	Florida	Mississippi	South Dakota
Arkansas	Iowa	Missouri	Texas
Connecticut	Kansas	Nebraska	Vermont
Delaware	Maine	North Dakota	Wisconsin
District of Columbia	Michigan	Rhode Island	Wyoming
	Minnesota	South Carolina	

State Requires Participation in Either the NCUA Program or Some Other Officially Approved Insurance Program

Alaska	Illinois	Nevada	Pennsylvania
Arizona	Indiana	New Jersey	Puerto Rico
California	Kentucky	New Mexico	Tennessee
Colorado	Louisiana	New York	Utah
Georgia	Maryland	North Carolina	Virginia
Hawaii	Massachusetts	Ohio	Washington
Idaho*	Montana	Oregon	West Virginia

No Requirement in Law on Share Insurance

New Hampshire
Oklahoma**

* CU must disclose lack of insurance
** CU members may vote to remain uninsured

Share Growth in Federally Insured Natural Person Credit Unions
(dollars in millions)

December 31	Shares Outstanding: Federal Credit Unions	Shares Outstanding: State Credit Unions	Total	Percentage Change from Prior Year Total Shares
1987	94,927	51,417	146,344	9.1%
1988	104,431	55,217	159,648	9.1%
1989	109,653	57,518	167,171	4.7%
1990	117,881	62,082	179,963	7.7%
1991*	130,000	75,000	205,000	13.9%

*Estimated for 12/31/91

Supervision of Federally Insured Credit Unions

Examination and Supervision Program

The credit union industry has undergone remarkable changes over the past 20 years. At the same time the NCUA examination and supervision program has continually evolved to meet the ever changing challenges presented. The examination and supervision program consists of a coordinated and interrelated group of programs and activities which include:

- examination policies and procedures;
- automated core examination system (ACES);
- CAMEL rating system;
- examiner training;
- corporate credit union examination program;
- quality control; and
- state insurance review program.

Examination Policies and Procedures

Examination policies and procedures affect all federal and federally insured state-chartered credit unions. NCUA strives to establish examination policies and procedures which attempt to strike a balance between managing available resources and providing regular, active, on-site supervision of all federal credit unions. The scope of the examination in 1970 concentrated on proving the accuracy of records and regulatory compliance. With the advent of share insurance, the examination program shifted more toward the assessment of risk. Today, the examination program still includes a review of accounting records, however, the examiner spends most of his/her time analyzing the policies of the board and evaluating financial conditions and trends. NCUA's long history of working with credit union officials remains unchanged. The examiner's goal is to work with credit union officials in the true cooperative spirit of credit unions to resolve problems together.

NCUA Regional Directors (from left) H. Allen Carver–Region III, Nicholas Veghts–Region IV, Layne L. Bumgardner–Region I, John S. Ruffin–Region V, Foster C. Bryan–Region VI, and Daniel L. Murphy–Region II.

Examination policies are developed through an ongoing program of review and adjustments. Examination policies and procedures are developed using a committee approach using examiners, regional office staff, central office staff, and state credit union supervisors. The committee is charged with the responsibility of assuring that examination policies and procedures are consistent, effective, and practical. In order to achieve uniformity of results, a CORE examination program was developed. This CORE examination program is used by all federal examiners and most state examiners who examine federally insured state-chartered credit unions.

Automated Core Examination System (ACES)

In 1970, examiners were issued an adding machine, a manual typewriter, and seven-column pads. Gradually, as technology improved, NCUA moved along with it. NCUA was a pioneer in developing the use of financial calculators as part of the examination program. Ultimately, the NCUA Board authorized the agency to automate the examination process using portable personal computers. NCUA was the first federal regulator to develop an automated core examination system and issue personal computers to all examiner staff. This new capability markedly improved the efficiency of examiner staff. By automating the mundane number-crunching functions, examiners are now free to evaluate financial trends and to discuss matters with management, staff, and officials. Personal computers have permitted examiners the time to perform qualitative analysis while the computer performs much of the quantitative analysis.

CAMEL Rating System

To assure the most effective use of resources, NCUA developed a system to rate credit unions according to relative risk. Beginning in 1971 and continuing through 1987, NCUA used the Early Warning System (EWS). EWS classified credit unions based on the examiner's evaluation during the annual examination process. This system served the agency well until the complexity of credit unions increased beyond the capacity of EWS to measure the risk. As a result, NCUA developed a CAMEL rating system which was implemented beginning in fiscal year 1988. Although CAMEL rating systems have been established by other federal and state regulators, NCUA's CAMEL is unique to this agency. CAMEL established a set of criteria and ratios which are measured both quantitatively and qualitatively by each examiner during the on-site examination. CAMEL provided NCUA with a method of establishing more uniform and consistent results between examiners and from one period to another. Credit unions were also provided information about CAMEL and were encouraged to establish their own internal measurement in order to assess the relative strengths and weaknesses of the credit union. It is through this cooperative effort and sharing of information that credit unions and NCUA have achieved better understanding. CAMEL is a dynamic system serving the needs of both NCUA and credit unions in a changing environment.

Examiner Education–A Vital Starting Point in Commitment to Excellence

Since the establishment of the NCUSIF, NCUA has always placed a great deal of emphasis and resources on examiner training. Over the past 21 years, the training program has matured significantly through continuous revisions as well as new program developments. While many changes have been made to the training program, the agency's ever strong commitment to provide all examiners with high quality classroom training on an on-going basis continues to be a top priority. As a result, today's examiners receive some of the highest quality training provided by any financial regulator. The program consists of two phases.

The New Examiner Training Program

The New Examiner Training Program includes five levels of classroom training in the first nine months on the job. Through approximately eight weeks of intense classroom training, coupled with on-the-job training each new examiner receives from personal OJTs, the new examiner generally assumes district examiner responsibilities in approximately six months. The overall goal of the program is to develop a highly skilled, productive, and motivated examiner. The training focuses on safety and soundness issues and the ability to identify and communicate adverse trends and potential problems. In 1991, NCUA's classroom trainers conducted 45 sessions of the New Examiner Training Levels I through V. The chart below shows the classes that were conducted during fiscal year 1991:

Program	Number of Sessions	Federal Examiners	State Examiners	Total Trained
New Examiner–I	10	84	0	84
New Examiner–II	10	84	0	84
New Examiner–III	8	56	39	95
New Examiner–IV	9	58	41	99
New Examiner–V	8	51	37	88
Totals	**45**	**333**	**117**	**450**

Technical Seminars

NCUA's senior examiners are offered an array of technical seminars to keep current on key credit union issues. Each program is developed to provide an in-depth look at major subject areas, and explores the safety and soundness issues surrounding the topics. While each program varies in length and subject matter, all programs are designed with one major focus...to provide practical and timely information. The faculty includes NCUA staff, industry leaders, and acknowledged subject matter experts.

During fiscal year 1991, NCUA began providing examiners with training on an automated asset-liability management program. Utilizing this software program, NCUA examiners can now analyze a credit union's asset-liability management policy and position more effectively.

In addition, the agency devoted much resources and time developing a new seminar in consumer compliance regulations and revising an existing seminar on advanced real estate lending.

As commercial lending causes a significantly higher proportion of loss to the Share Insurance Fund than other types of lending, the ability to analyze and examine credit unions' business lending policies and documents have become increasingly important. In step with this, NCUA has revised and combined the Advanced Commercial Lending Seminar and the Advanced Real Estate Lending Seminar to include income property, construction, asset-based loans, cash flow analysis, appraisal methodology, problem loan warning signals, foreclosures, bankruptcy, fraud, and other pertinent subject matters.

The new seminar in consumer compliance regulations will provide a working knowledge of the history, purpose, requirements, and NCUA's enforcement policies on a wide array of consumer regulations.

The seminars shown below were conducted in FY 1991:

Program	Number of Sessions	Federal Examiners	State Examiners	Total Trained
Asset-Liability Management	4	39	62	101
Advanced Asset Liability Management	2	32	21	53
Commercial Lending	1	12	26	38
Real Estate Lending	5	119	67	186
Advanced Real Estate Lending	2	27	23	50
Auditing Principles and Fraud Detection	2	78	45	123
Investments	2	81	53	134
Problem Resolution	5	88	29	117
Totals	**23**	**476**	**326**	**802**

FFIEC Training

In addition to conducting its own technical seminars, NCUA participates in training programs conducted by the Federal Financial Institutions Examination Council (FFIEC). These programs permit NCUA examiners to benefit from the knowledge and experiences of other financial regulators. Courses include "White Collar Crime," "Off Balance Sheet Risk," and many others.

Corporate Credit Union Examination Program

Corporate credit unions are credit unions for credit unions. They are the primary source of investment, liquidity, and payment services for the nation's 14,000 natural person credit unions. Thirty-two of the corporate credit unions are federally insured (18 federal charters), and 11 are either privately insured or uninsured.

The idea of credit unions serving credit unions began when several large credit unions attempted to provide for the liquidity needs of other smaller credit unions. This "interlending" needed an intermediary to operate efficiently and corporate credit unions were formed to meet that need. The first corporate credit union was chartered in 1951 in Wichita, Kansas. During the next 20 years, corporate credit unions continued to be formed to meet the needs for external sources of credit for the rapidly increasing numbers of credit unions.

After years of planning, U.S. Central Credit Union was organized in March 1974 and quickly became the focal point which linked the corporate credit unions together into the Corporate Credit Union Network. A need existed for a "central bank" dedicated solely to serving the emergency liquidity needs of the credit union movement. On October 1, 1979, the Central Liquidity Facility (CLF), a federally backed lender of last resort, became operational. U.S. Central Credit Union joined the CLF, becoming an "agent member" for corporate credit unions, which in turn, became agent members for their natural person credit union members. In one stroke, over 95 percent of all credit unions became members of the CLF which, along with the Corporate Credit Union Network, provides liquidity to natural person credit unions.

The Monetary Control Act of 1980 provided the Corporate Credit Union Network with direct access to Federal Reserve Bank services–services for which credit unions previously had to rely on the banking industry to provide. Since 1980, U.S. Central Credit Union and corporate credit unions, defined by the Act as "banker's banks," have expanded the benefits associated with economies of scale by providing "wholesale" correspondent services including investment, safekeeping, wire transfers, and automated settlement, while continuing to be the primary providers of liquidity for their member credit unions.

In an effort to minimize risks in their investment portfolios, the Corporate Credit Union Network developed and voluntarily agreed to follow the Standards and Guidelines for Corporate Credit Unions. Only investments that meet stringent credit standards and are matched by amount and maturity against the source of funds qualify as permissible investments under the Standards and Guidelines.

NCUA has developed a team of 16 highly qualified examiners to perform examinations of all corporate credit unions. These examiners receive ongoing, specialized training to keep abreast of developments in the corporate credit union system as well as in the financial marketplace. In cooperation with the various state credit union supervisory authorities, NCUA corporate examiner staff conducted examinations of the books and records of all corporate credit unions (federal charter, state charter, privately insured, and uninsured).

State Insurance Review Program

State programs have been significantly enhanced over the past two years resulting in a cooperative spirit between NCUA and state credit union regulators. In 1991, NCUA and the states worked jointly to preserve the financial health of federally insured state chartered credit unions (FISCUs) through consistent and quality examinations.

Most states now follow the Core examination format, and many utilize the Automated Core Examination System (ACES) using laptop computers. This was made possible by the laptop computer lease program which allows state credit union examiners to use NCUA's computers in conducting examinations of FISCUs.

In addition, many state examiners attended NCUA's formalized classroom training in 1991. This program has offered an opportunity for state examiners to gain advanced technical knowledge, as well as a platform on which to exchange ideas and thoughts with their peers.

Regulatory Actions

Member Business Loan

In 1987, the NCUA Board adopted rules and regulations addressing member business loans. At that time, the Board expressed its intent to evaluate the effectiveness of the rule over a three year period. During this period, numerous problems relating to member business loans were revealed during the agency's examination and supervision process. These problems contributed to overall weaknesses in asset quality, earnings, and capital, which resulted in purchase & assumptions, mergers, and special assistance to avoid liquidation. It was determined that business lending, when not properly carried out, resulted in heavy losses to credit unions and the NCUSIF. During 1990, business lending accounted for 49 percent of the Fund's losses, although it represented only 1.4 percent of all credit union lending. In 1991, losses from business loans had increased to over 80 percent.

At the September 1991 Board meeting, the NCUA Board, consistent with its fiduciary duty to protect the interests of all federally insured credit unions and the NCUSIF, took certain steps in an effort to curb losses from business lending. These steps are intended to place reasonable limits on some of the riskiest business lending activities of a credit union, require the board of directors to establish prudent lending policies, and improve the ability of NCUA to monitor risk from business lending.

Specifically, the final regulation does not change the current exemption on total business loans to one member of less than $25,000. However, it removes the exemption on loans secured by a second residence or one other residence other than the primary residence. Loans on a one-to-four family dwelling that serves as a member's primary residence are exempt from requirements of the new regulation. The regulation also sets a loans-to-one borrower limit equal to 15 percent of reserves, or $75,000, whichever is higher, however, portions of loans secured by shares or government guarantees are excluded from the loan-to-one-borrower limit. Regional Directors will have the authority to lift the limit on loans to one borrower and must act on a request within thirty days. Their decisions can be appealed to the NCUA Board.

The regulation retains the requirement that personnel involved in making and administering business loans have at least two years of experience in the type of lending being offered. Credit unions may contract for this expertise on a case-by-case basis.

The new business rule became effective on January 1, 1992.

Investment and Deposit Activity

In October 1991, the NCUA Board adopted a final investment regulation that had been initially drafted earlier in the year. Effective March 1, 1992, the regulation prohibits federal credit unions to invest in corporate credit unions which do not operate in compliance with the agency's corporate credit union regulations (Part 704 of NCUA Rules and Regulations).

The final rule also prohibits certain high risk investments such as mortgage-derivative products under most conditions. Under these provisions and effective December 1, 1991, federal credit unions are prohibited from investing in stripped mortgage-backed securities (SMBS). Also prohibited are investments in collateralized mortgage obligations (CMO), real estate mortgage investment conduits (REMIC), and other CMO investments with high average life volatility.

The regulation also prohibits investments in zero coupon bonds with maturities exceeding ten years.

Current federal credit union investments are "grandfathered" conditionally under this regulation.

Financial Status of Federally Insured Credit Unions

Effective October 1, 1987, the NCUA Board approved a change in the program used to assess the condition of federally insured credit unions from the Early Warning System (EWS) to the CAMEL Rating System. Under CAMEL program, a credit union's rating may range from a code 1 to a code 5 credit union based upon an evaluation of financial data derived from the annual examination, the financial performance report, and several other measurements of safety and soundness. The CAMEL classifications are as follows:

CAMEL Code 1:	*Excellent*
CAMEL Code 2:	*Good*
CAMEL Code 3:	*Fair*
CAMEL Code 4:	*Weak*
CAMEL Code 5:	*Unsatisfactory*

The tables to the left provide an analysis, by CAMEL code, of the number and percentage of shares of federally insured credit unions as of September 30, 1991.

In FY 1991, the number of Code 4 and 5 credit unions increased slightly, however, insured shares in those credit unions increased by $1 billion.

Distribution of Federally Insured Credit Unions by CAMEL Categories

CAMEL Category	As of* 9/30/87	As of 9/30/88	As of 9/30/89	As of 9/30/90	As of 9/30/91
Codes 1 & 2	9,133	8,341	8,310	8,055	7,608
3	4,458	4,644	4,444	4,279	4,678
4	838	926	723	625	633
5	91	96	71	53	52
Totals	**14,520**	**14,007**	**13,548**	**13,018**	**12,971**

Percentage of Shares by CAMEL Category

CAMEL Category	As of* 9/30/87	As of 9/30/88	As of 9/30/89	As of 9/30/90	As of 9/30/91
Codes 1 & 2	76.5%	73.8%	75.4%	73.0%	68.3%
3	18.6	19.9	19.8	22.1	26.5
4	4.7	6.0	4.6	4.7	5.0
5	0.2	0.3	0.2	0.2	0.2
Totals	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Summary of CAMEL Code 4 and 5 Credit Unions

	9/30/90	9/30/91
Number of code 4 and 5 credit unions	678	685
Percentage of insured credit unions	5.2%	5.3%
Shares in code 4 and 5 credit unions	$9.4 billion	$10.4 billion
Percentage of Shares in all insured credit unions	4.9%	5.2%

* EWS Code system replaced by CAMEL 10/1/87.

Financial Assistance to Credit Unions

Safety and soundness, and risk management are the principles which are paramount to the Fund's success. Active programs to assess risk, and to take appropriate action to minimize loss have never been more important.

The management of risk entails identifying and controlling losses to meet insurance underwriting and actuarial standards. The regulatory side of the agency is vital to carrying out the risk management function, and must work in concert with the Fund's assistance programs. Due to diversification of the insured's activities, competitive pressures and deregulation, the nature of risk and the necessary measures to deal with risk continue to evolve. Improvements in credit union capitalization and efforts to operate competitively while minimizing loss exposure directly assist the Fund. The unique nature of the insured's interest and ownership in the NCUSIF result in common goals between the Fund and the insured credit unions.

During 1991, the agency continued its emphasis on assisting credit unions, and on risk management. Through regional conferences, substantial time was devoted to the training of examiners and staff in the areas of problem identification and resolution. Through the Fund's programs to determine commonalities of failed credit unions, effective techniques are fine-tuned to help credit unions in the correction of their problems. This information is continuously disseminated to all staff.

National and regional financial trends played an important role in the health of credit unions and the demands upon the Fund. As the southwest and midwest areas began to recover, the northeast experienced problems with real estate lending. Intensifying competition by financial institutions placed pressure on marginal operations. The continued trend toward real estate secured lending offers new challenges in a credit union's asset/liability management.

The NCUSIF can provide financial assistance directly to insured credit unions to avoid liquidation. The Fund actively exercised this provision during the fiscal year, but as part of an overall risk management program.

Losses cannot be avoided and are a natural consequence of credit union operations. Losses and special assistance, as described elsewhere in this report and as summarized in the tables above, have increased. Although the number of credit unions receiving assistance is relatively small, the risk they represent to the Fund is significant. The return of these credit unions to profitable, self-sustaining operations is central to the successful use of assistance from the NCUSIF.

When credit unions become impaired financially, a decision concerning the propriety of financial assistance is made. If the credit union has a viable field of membership, good management, and has resolved the basic problems that were the source of its financial losses, the NCUSIF can provide financial assistance. Significant resources are expended to ensure credit unions are assisted and salvaged to the maximum degree possible.

Financial assistance from the NCUSIF can be divided into the categories of non-cash or cash.

Non-Cash Assistance

Non-cash special financial assistance is provided as a capital guaranty account which replaces a credit union's deficit in undivided earnings. The deficit in undivided earnings occurs when the credit union's losses and expenses exceed its ability to generate revenue. Guaranty accounts are necessary to provide full and

Changes in NCUSIF Guaranty Accounts Outstanding
(amounts in thousands)

Guaranty accounts outstanding	
October 1, 1990 (42 cases)	$98,576
Increases	
49 credit unions needed initial assistance	76,319
17 credit unions needed additional assistance	87,169
Decreases	
28 credit unions merged/liquidated	(45,986)
11 credit unions completed amortization of assistance	(1,258)
Guaranty reduction in outstanding cases	(35,332)
Guaranty accounts outstanding	
September 30, 1991 (52 cases)	$179,488

Guaranty Accounts Outstanding by Type of Credit Union as of September 30, 1991

	Number	Amount Outstanding (in thousands)
Federal credit unions	39 (75%)	$ 175,782
Federally insured state credit unions	13 (25%)	3,706
Totals	**52 (100%)**	**$179,488**

fair disclosure of a credit union's financial condition. Downward adjustment of loan valuation was the most frequent cause of losses in problem credit unions during the year. The guaranty allows the credit union to continue operating and paying dividends while it amortizes the negative net worth. A guaranty does not mask the financial condition of the credit union since the account is shown as deficit capital and clearly identified and footnoted. The credit union's assets are not overstated, nor the negative net worth understated. As of September 30, 1991, 52 credit unions reflected non-cash assistance of $179.5 million.

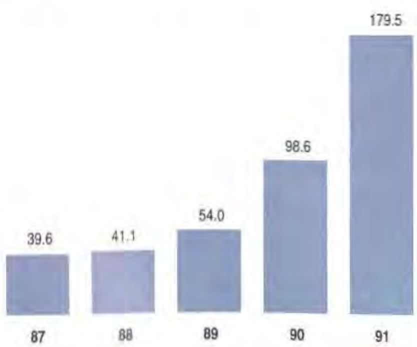
Any type of assistance from the Fund is granted conditionally. For example, the problem that resulted in the losses or need for assistance must be immediately addressed and corrected. Action must also be taken by the credit union to improve its operations and financial performance. Almost all guaranty accounts are amortized on a predetermined schedule negotiated between the Agency staff and the credit union. The amortization schedule reflects profit improvement goals that credit union's directors and management are committed to achieving.

Cash Assistance

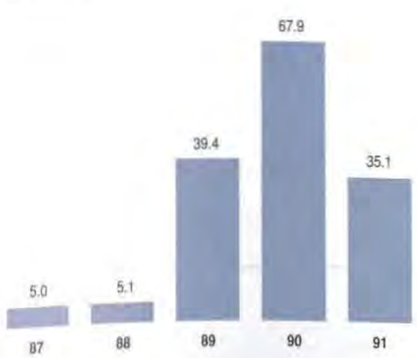
The second type of financial assistance under Section 208 of the Federal Credit Union Act is in the form of loans or cash advances. Capital Notes have constituted the majority of this assistance over the past several years. Under this program, cash is advanced to a problem credit union in exchange for a subordinated note that is usually interest free. The primary intent of the cash infusion is to improve the credit union's income position by allowing it to acquire income producing assets to offset the effect of non-earning assets or accumulated losses. Capital Notes usually contain specific repayment schedules that reflect the earnings improvement projected for the credit union.

As of September 30, 1991, nine credit unions had $35.1 million of cash assistance outstanding. During the year, one new credit union received Capital Note assistance totaling $25.0 million.

Non-Cash Assistance Outstanding
(in millions)



Cash Assistance Outstanding
(in millions)



Changes in NCUSIF Cash Assistance Outstanding
(amounts in thousands)

Cash assistance outstanding	
October 1, 1990 (11 cases)	$ 67,891
Increases	
1 credit union needed initial assistance	25,000
0 credit unions needed additional assistance	0
Decreases	
9 credit unions earned incentive reductions*	27,557
1 credit union repaid balance of assistance	27,500
1 credit union repaid portion of assistance	2,437
1 credit union merged with assitance charged-off	296
Reduction in outstanding cases	57,790
Cash assistance outstanding	
September 30, 1991 (9 cases)	$35,101

* Includes 1 credit union which earned incentives equal to outstanding balance of cash assistance.

Asset Liquidation Management Center

Background

The Asset Liquidation Management Center (ALMC) became operational in the latter part of 1988 under direction of Region V. During 1990, the ALMC assumed an expanded mission independent of Regional control. Prior to being restructured, the ALMC had a singular mission to minimize losses to the NCUSIF by managing and disposing of assets, primarily real estate, acquired from liquidated or troubled credit unions. Although the mission and concept of the ALMC was national in scope, its original performance was essentially case specific and involved assets acquired from several large problem credit unions located in Region V.

The asset sales and management structure, however, was not adequate to meet the increasing percentage of real estate loans in the portfolios of federally insured credit unions. Of particular concern to the NCUA Board was the immediate adverse effect a single non performing large real estate loan or a block of smaller nonperforming real estate loans could have on the operations of a credit union in light of the general economic conditions. To address this new characteristic and potential problem area in credit union loan portfolios, the NCUA Board determined that the ALMC must have the ability to rapidly respond to Regional requests for assistance in examining real estate portfolios, and to aggressively manage and dispose of assets acquired from troubled or liquidated credit unions.

Prior to March 1990, the direction of the liquidation activity was the responsibility of Regions II and V. The NCUA Board, in reviewing this activity, also determined it was necessary to provide greater consistency and improved efficiencies among the Regions in the policies and procedures relative to the liquidation of credit unions. To achieve this purpose, a consolidation of the liquidation activity within the ALMC was approved, since many of the asset sales and liquidation functions significantly overlapped.

This combined initiative of the NCUA Board was accomplished by appointing a President, ALMC, who was given the responsibility of directing the consolidated operations. The restructured ALMC was then organized into the Divisions of Liquidations, Asset Sales and Management, and Accounting and Administration. The ALMC has since hired staff with outstanding credentials and experience in real estate.

1991 Highlights

During 1991, the ALMC underwent an intense developmental period which included restructuring of the liquidation and asset management functions. Major operational and program enhancements were implemented to improve the liquidation process and maximize the returns to the NCUSIF on distressed assets. In 1991, the ALMC moved from a small procedural oriented operation to one which now has the ability to provide substantial management of assets. This year, significant demands and challenges were placed upon all the resources of the ALMC due to the failure of Barnstable Community Federal Credit Union, and the conservatorship of several other New England credit unions. Other highlights of the year were:

- 79 properties were sold for $16.4 million.
- 22 bond claims were settled for $5.2 million.
- $30.1 million was collected in principal and interest from outstanding loans.
- 40 liquidations were completed, and the average payout period was reduced to 2.9 days.

In addition, the ALMC continued to manage 153 open liquidations, $131 million in consumer loans, and 800 assets having a book value of $94 million. During the year, ALMC staff also provided training sessions on asset disposition and real estate lending at the Regional Conferences.

NCUSIF Financial Review

The total number of credit union failures (involuntary liquidations and assisted mergers) was 130 for 1991, compared to 164 for 1990. Although there was a 21 percent decrease in the number of failures for 1991, the cost of closing these credit unions jumped to $77 million, compared to $49 million in 1990. The substantial increase in cost was due to the failure of several large credit unions having high concentrations of commercial and residential real estate loans.

For 1991, the NCUSIF received its seventh consecutive unqualified audit opinion from its independent auditors. The audited financial statements and accompanying footnotes of the independent auditors begin on page 23 of this report. The NCUSIF continues to be the only federal deposit insurance fund that has its financial statements audited annually not only by the General Accounting Office (GAO), but also by an independent auditing firm. GAO also issued a clean opinion of the NCUSIF for fiscal years 1989 and 1990. The GAO report of credit unions and the NCUSIF is discussed earlier in this report.

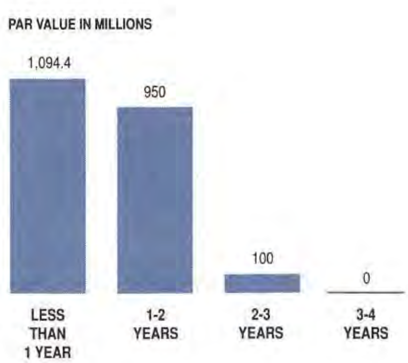
After seven straight years of insurance assessment waivers which saved credit unions $655 million in fee expense, the NCUA Board voted to assess a premium of one twelfth of one percent for insurance year 1992 at its September 1991 meeting. The fee will be collected in January 1992 along with the one percent capitalization adjustment and NCUA operating fee. The NCUA Board decided to assess the premium after a year of historic losses and high growth in insured deposits which depleted the Fund's equity to its lowest level since 1984. The premium is expected to maintain the NCUSIF within the Board's designated operating level of 1.25 percent to 1.30 percent.

Total Revenue

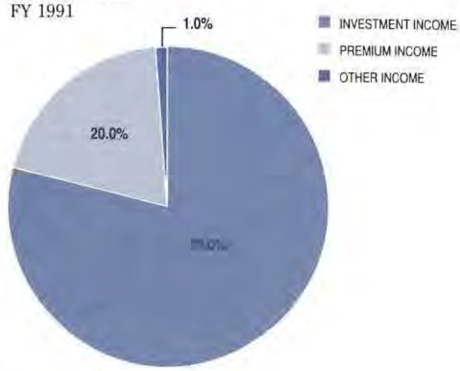
Total revenue of $207 million for FY 1991 was 29 percent higher than 1990 revenue of $160 million. The NCUSIF recognized as income for the fiscal year one quarter of the insurance premium due in January 1992. Since the premium is for insurance year 1992 which covers the period July 1, 1990 through June 30, 1992, Generally Accepted Accounting Principles (GAAP) required that $41.2 million of the $165 million due in January be recorded as income for the fiscal year. Total revenue is composed of investment income, insurance premium income, interest on notes receivable, interest on some types of credit union assistance, and miscellaneous income on other assets.

By Federal statute, the investments of the NCUSIF are limited to direct obligations of the U.S. Treasury or securities guaranteed by the United States as to both principal and interest.

Investment Portfolio
Maturity Schedule

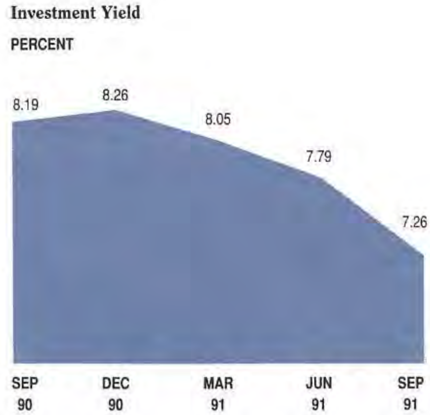


NCUSIF Income
FY 1991



The primary investment objectives of the NCUSIF are to provide adequate liquidity to meet the cash needs of the Fund and to obtain the maximum yield possible within maturity limits. The composition of the NCUSIF investment portfolio is entirely one-day Treasury certificates and Treasury Notes. At September 30, 1991, 51 percent of NCUSIF investments had maturities of one year or less, and none had maturity dates greater than three years. Because of the continued downswing in interest rates, the average investment yield for the NCUSIF in 1991 fell to 7.84 percent compared to 8.22 percent in 1990.

Investment Yield

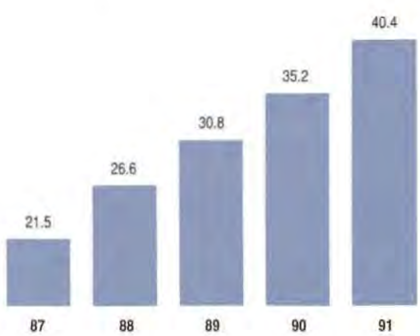


Administrative Expenses

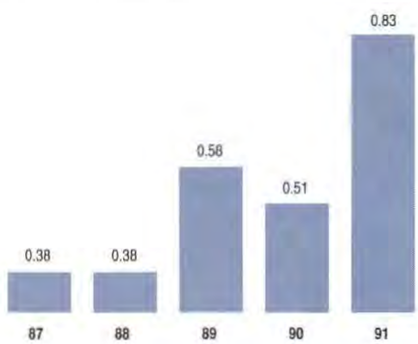
Administrative costs increased $5.2 million in 1991 to $40.4 million. All of the increase is due to higher employee salary, benefits, and travel costs.

Since 1985, all administrative costs (with the exception of ALMC and State training costs) of the NCUSIF are paid through an overhead transfer allocation. The NCUSIF transfers cash to the Agency's operating fund to cover a percentage of the Agency's total administrative costs budgeted for a fiscal year. This percentage, which is set by the NCUA Board based upon an annual review, remained at 50 percent for 1991. For the past five years, the amount of administrative costs, both direct and allocated, are shown below.

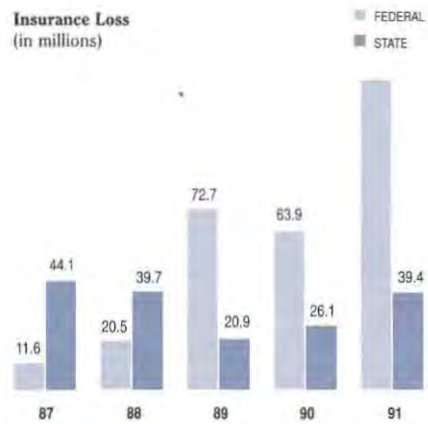
NCUSIF Administrative Expenses
(in millions)



NCUSIF Losses per $1,000 of Insured Shares
(in dollars)



Insurance Loss
(in millions)



Insurance Losses

The NCUSIF, under full accrual accounting, incurs insurance losses when loss reserves are established for those credit unions which management considers the greatest risk to the Fund (CAMEL Code 4&5). Moneys spent on failed institutions are not considered insurance losses (cash basis accounting); they are recorded as charges to the loss reserves.

Credit unions coded 4 and 5 are divided into two groups for reserve evaluation purposes. Those having insured shares of $20 million or greater are reviewed case-by-case by both the Regional and Washington offices, while those in the under $20 million category are pooled and a historical loss factor is applied to their total insured shares. Pooled credit unions having projected losses of $1 million or greater are removed from the pool and established as a specific case. All the individual credit union reserves and pool reserves are reviewed at year-end by the Fund's independent auditors. In some cases, the auditors will visit a credit union to further assess potential loss. The table on the following page shows the changes in the NCUSIF reserve levels and the amount of insurance losses for the past three fiscal years.

Insurance losses for 1991 increased 81 percent to a historical record of $163 million. As a result, losses per $1,000 of insured shares climbed to $.83 from $.51 in 1990. However, losses per thousand have averaged $.53 for the last five years. For 1991, three federal credit unions located in Massachusetts (Barnstable, Blue Hill, and Progressive) made up $94 million of the total loss. These credit unions will ultimately cost the Fund approximately $120 million in losses by the time they are resolved. As mentioned earlier, the number of credit union failures dropped to 130 compared to 164 for last year. This reduction is a direct result of major improvements made to the

NCUSIF Administrative Costs
(amounts in thousands)

Fiscal Year	1987	1988	1989	1990	1991
Direct expenses	$ 0	$ 0	$ 2,048	$ 3,357	$ 2,429
Allocated expenses	21,466	26,588	28,769	31,796	37,924
Total administrative expenses	**$21,466**	**$26,588**	**$30,817**	**$35,153**	**$40,353**
Percent of NCUA total administrative expenses	50.5%	50.5%	53.6%	52.5%	53.2%

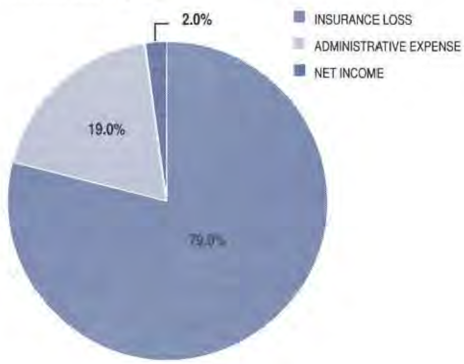
examination and supervision program, and the strengthening of the state examination process over the past several years.

Of the $163 million in losses for 1991, 76 percent were applicable to federal credit unions, compared to 71 percent for 1990. For every $1,000 of insured shares, federal credit unions cost the NCUSIF $0.99, compared to $0.56 for federally insured state chartered credit unions.

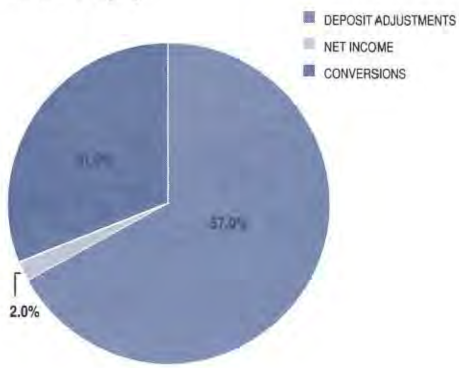
Summary of Reserves Established for Estimated Losses from Supervised Credit Unions
(amounts in thousands)

	FY 1989	FY 1990	FY 1991
Reserves–beginning of fiscal year (October 1)	$48,492	$40,912	$ 72,688
Net Charges for fiscal year	(101,188)	(58,206)	(104,891)
Provisions for insurance losses	93,608	89,982	163,000
Reserves–end of fiscal year (September 30)	$40,912	$72,688	$130,797

Income and Expense



Growth in Equity



Equity Ratio

Net Income

Even with the $41.2 million recognized as insurance premium income for 1991, net income fell to $4.1 million, compared to $35.1 million for last year. This is the lowest since 1982 when a special premium assessment was collected. As mentioned earlier, large insurance losses, primarily for New England credit unions, accounted for the steep drop in net income. In its 21 years of operations, the NCUSIF has never shown a net loss.

Equity

Equity of the NCUSIF grew by $204 million to $2.3 billion during 1991. The growth in equity was due to :

- $136 million increase in accumulated contributions from credit unions due to share growth;
- $4 million in net income for the year; and
- $64 million from credit union conversions.

The ratio of insured shares to equity was 1.26 percent June 30, 1991, the end of the insurance year. A new insured share and deposit base of $197 billion was used to calculate the ratio beginning in July 1991, lowering the ratio to 1.23 percent for September 30, 1991. The ratio is projected to grow to the 1.28 percent to 1.29 percent range by June 30, 1992.

The effect upon the Fund's operating level of this year's 432 conversions of privately insured credit unions to the NCUSIF during the year was negligible. Without the conversions, the NCUSIF equity ratio would still have been 1.23 percent at September 30, 1991. In fact, if all privately insured credit unions which hold approximately $20 billion in insured deposits had converted to the NCUSIF by September 30, the equity ratio would have dropped only slightly to 1.21 percent.

Mergers, Liquidations, and Purchase and Assumptions

Mergers

The number of completed mergers for 1991 was 398 compared to 467 for 1990. Of that number, 41 required some type of assistance from the NCUSIF. The cost of this assistance was $6.9 million. Over 92 percent of the assistance provided ($6.4 million) was in the form of immediate cash payments to facilitate the mergers, and the remaining is extended cash assistance to cover losses on loans acquired and other guaranteed assets. The remaining 357 mergers were completed without any cost to the NCUSIF.

The largest merger in 1991 was Community Service Credit Union, Incorporated located in Connecticut which merged into Navy Federal Credit Union. Community Service Credit Union, which had shares of approximately $56 million, cost the Fund $1.5 million in 1991.

The table to the right summarizes the assisted mergers for fiscal year 1991.

Assisted Mergers Fiscal Year 1991

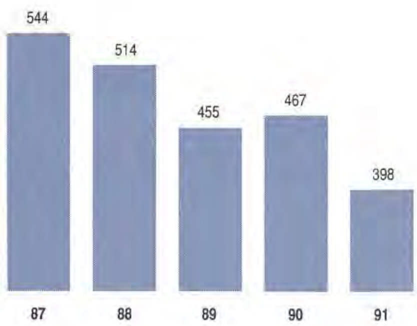
Merging Credit Union *Continuing Credit Union*	Date Approved	Shares of Merging Credit Union	Cost of Merger	Cost as a Percentage of Shares
Mergers with costs over $175,000:				
Community Service CU Inc.				
Navy FCU	05/08/91	$ 56,471,000	$ 1,500,000	2.7%
Rensco FCU				
State Employees FCU	12/04/90	16,189,000	1,000,000	6.2
First Family FCU				
Dutrac Community CU	12/05/90	15,671,000	1,000,000	6.4
J.F. Associates FCU				
Triangle FCU	06/12/91	7,341,000	653,500	8.9
Coatsville VA FCU				
Citadel FCU	01/07/91	1,677,000	250,000	14.9
Lighthouse CU				
Town & Country FCU	09/11/91	3,533,000	214,300	6.1
Grantsburg Community FCU				
Indian Head CU	11/06/90	3,332,000	199,300	6.0
Gladstone Community FCU				
Great Lake First FCU	08/30/91	6,189,000	199,100	3.2
Unigress FCU				
Sun East FCU	03/11/91	1,779,000	183,000	10.3
Central Illinois Chapter FCU				
Wagner CU	02/01/91	1,296,000	175,000	13.5
All other assisted mergers–31		36,236,000	1,518,000	4.2
Total assisted mergers–41		**$149,714,000**	**$6,892,000**	**4.6%**

Liquidations

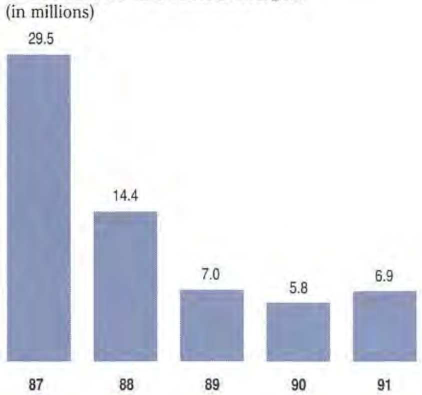
In fiscal year 1991, there were 106 liquidations of federally insured credit unions. Of this number, 89 were involuntary liquidations which cost the Fund $39 million as of September 30,1991. The remaining 17 were voluntary liquidations, completed without any loss to the Fund.

The largest liquidation loss in 1991 resulted from the failure of Barnstable Community Federal Credit Union located in Hyannis, Massachusetts. This credit union was chartered in 1982 to serve persons who lived or worked in the town of Barnstable. Since its organization, the credit union had been heavily involved in commercial and residential real estate lending to insiders. The credit union sought high cost deposits to fund large speculative loans. Loans were generally written for terms of one to three years, with interest only payment terms. The loans were to be paid back through the sale or development of land or buildings acquired through the loan proceeds. The credit union did not actively seek the typical consumer saver or borrower. Inadequate lending policies, high delinquency, mismanagement, and fraud ultimately resulted in the credit union's liquidation on July 27, 1991. The cost of liquidating the

Number of Credit Union Mergers



Losses from NCUSIF Assisted Mergers
(in millions)



credit union was $20.9 million as of the end of the fiscal year.

Frequently, involuntary liquidations become Purchase and Assumptions (P&A). In a P&A transaction, the Fund acquires segments of the liquidating credit union's assets and liabilities, and the remaining assets and liabilities are "merged" into an acquiring credit union. During 1991, 43 of the 89 involuntary liquidations became P&As requiring assistance from the NCUSIF. (P&As are discussed in further detail following this section.) The tables to the right summarize NCUSIF liquidations.

Involuntary Liquidations Fiscal Year 1991

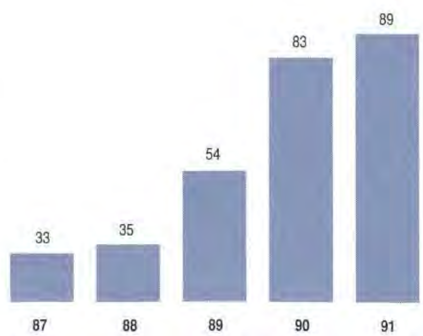
Liquidated Credit Union	Date of Liquidation	Share's Outstanding When Credit Union Closed	Cost of Liquidation	Cost as a Percentage of Shares
Liquidations with costs over $500,000:				
Barnstable Community FCU	06/27/91	$ 25,622,000	$ 20,915,000	81.6%
Deseret FCU	05/10/91	25,302,000	8,470,000	33.5
Korean FCU	09/23/91	3,077,000	2,154,000	70.0
United Government Employees FCU	07/31/91	4,145,000	1,756,000	42.4
Lummus Employees FCU	11/30/90	1,791,000	1,262,000	70.5
SEG Employees FCU	01/07/91	2,727,000	847,000	31.1
Bulova FCU	03/01/91	862,000	787,000	91.3
L.T.L. Employees FCU	11/05/90	1,019,000	505,000	49.6
All other involuntary liquidations–81		53,165,000	2,265,000	4.3
Total involuntary liquidations–89		**$117,710,000**	**$38,961,000**	**33.1%**

Involuntary Liquidations: Five-Year History

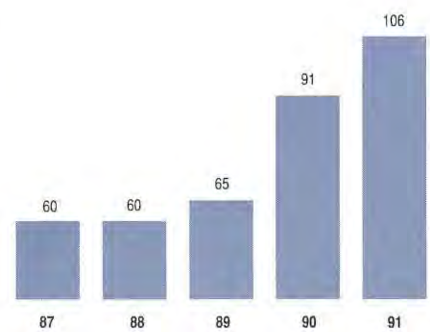
Fiscal Year	1987	1988	1989	1990	1991
Number of involuntary liquidations commenced	33	35	54	83	89
Shares paid (thousands)*	$3,213	$36,110	$21,687	$70,875	$117,710
Percentage of shares paid to total insured shares (June 30)	0.002%	0.023%	0.013%	0.040%	0.067%
Average payout per credit union liquidated (thousands)	$616	$97	$402	$854	$1,323

* Does not include Purchase and Assumptions

Involuntary Liquidations
Number of Cases



Total Liquidations
Number of Cases



Purchase and Assumptions (P&A)

As mentioned earlier, a P&A transaction initially begins as an involuntary liquidation; however, in accordance with a P&A agreement, some of the assets and in most cases all of the shares of the "assumed" credit union are transferred to a" purchasing" credit union. A P&A arrangement contains elements of both involuntary liquidation and merger, and is less costly than an involuntary liquidation, but more costly than a merger. To facilitate a P&A, the NCUSIF usually provides some form of cash assistance to the acquiring credit union similar to the assistance provided in a merger agreement. In 1991, there were 43 P&As requiring assistance from the NCUSIF, and six P&As requiring no assistance from the NCUSIF. The following table summarizes P&As for 1991.

Purchase and Assumptions Fiscal Year 1991

Assumed Credit Union / ***Purchasing Credit Union***	**Date Approved**	**Cost of P&A**	**Cost as a Percentage of Shares**
First United State CU			
Deseret Schools FCU	02/14/91	$ 8,000,000	8.8%
Whittier Citizens CU			
Sears Western FCU	11/30/90	3,136,000	13.4
Aerostructures Employees FCU			
Heritage FCU	07/01/91	2,194,000	24.3
Uniontown Area Community FCU			
The United FCU	04/01/91	2,143,000	18.9
Bonneville First CU			
Deseret First CU	03/20/91	2,120,000	28.0
McGuire FCU			
Andrews FCU	09/23/91	1,425,000	2.5
Capitol CU			
Little Rock AFB FCU	08/31/91	1,320,000	22.9
Yale University FCU			
New York Telephone Employees FCU	04/05/91	1,006,000	11.1
All Other Assisted P&As–35		9,532,000	4.4
Total–43 Cases		**$30,876,000**	**8.8%**

Financial Reporting Practices

The NCUSIF has completed nine years of full accrual accounting under generally accepted accounting principles (GAAP). GAAP accounting for any insurance program requires adequate reserves for known and anticipated losses. Deposit insurance accounting under GAAP requires two such reserves: One anticipates future cash outlays under guarantees issued when credit unions are merged with assistance or their assets are sold to third parties. The other reserve anticipates losses from problem credit unions, i.e., those currently classified as weak or unsatisfactory.

Future cash outlays from problem credit unions is the harder loss to estimate. However, an accurate estimate of losses, based on historical data and case-by-case reviews, will fairly disclose losses that should be recognized today. The confidence credit union members can place in the Fund is directly related to the ability of its management to identify and control those losses.

The Fund's adherence to GAAP is unique among the federal deposit insurers. The NCUSIF is the only Federal deposit insurance fund that establishes balance sheet reserves for anticipated future losses for all problem institutions. Moreover, the increased financial disclosure required by GAAP strengthens the reliance which can be placed upon the Fund's financial statements. To reinforce this reporting standard, the Fund has retained Price Waterhouse, an international accounting firm, to audit the Fund's financial statements, including its loss estimates. Their unqualified opinion begins on the next page.

Insurance Fund Report and Financial Statements
for the Years Ended
September 30, 1991 and 1990

Report of Independent Accountants

To the Board of the National Credit Union Administration

In our opinion, the statements appearing on pages 24 to 29 of this report present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund at September 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Share Insurance Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the financial audit requirements of *Government Auditing Standards* issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Price Waterhouse
Washington, DC
November 12, 1991

National Credit Union

Share Insurance Fund

Financial Results

Balance Sheets

ASSETS	September 30, 1991	1990
Investments (Note E)	$ 1,923,144,265	$ 1,814,885,712
Cash, including cash equivalents of $235,263,811 and $83,249,644 (Note E)	235,313,966	84,260,898
Premiums receivable	164,941,088	
Accrued interest receivable	37,195,377	53,674,828
Assets acquired in assistance to insured credit unions, net of allowance for losses of $22,200,000 and $21,200,000	123,484,567	106,603,380
Capital notes advanced to insured credit unions	35,100,928	67,890,846
Note receivable–National Credit Union Administration Operating Fund (Note H)	1,908,766	1,980,766
Other notes receivable (Note F)	12,833,504	13,013,688
Other receivables	2,108,774	2,170,067
Total assets	**$2,536,031,235**	**$2,144,480,185**

LIABILITIES AND FUND CAPITALIZATION	1991	1990
Estimated losses from supervised credit unions (Note C)	$ 130,797,000	$ 72,688,000
Estimated losses from asset and merger guarantees (Note C)	4,116,000	3,024,000
Amounts due to insured shareholders of liquidated credit unions	18,158,495	15,204,879
Unearned premium revenue	123,705,816	
Due to National Credit Union Administration Operating Fund (Note H)	1,662,690	626,060
Accounts payable	466,860	302,442
Total liabilities	**278,906,861**	**91,845,381**
Fund capitalization:		
Insured credit unions' accumulated contributions (Note D)	1,814,410,269	1,613,976,947
Insurance fund balance	442,714,105	438,657,857
Total fund capitalization	**2,257,124,374**	**2,052,634,804**
Commitments (Notes C and H)		
Total liabilities and fund capitalization	**$2,536,031,235**	**$2,144,480,185**

The accompanying notes are an integral part of these financial statements.

Statements of Operations

REVENUE	Year Ended September 30, 1991	1990
Interest	$ 162,979,245	$ 159,095,503
Premiums	41,235,272	
Other	3,194,715	1,168,938
Total revenue	**$ 207,409,232**	**$ 160,264,441**

EXPENSES	1991	1990
Administrative expenses (Note H)		
Employee wages and benefits	$ 25,928,471	$ 22,263,674
Travel	4,314,378	3,648,449
Rent, communications, and utilities	2,853,600	2,308,433
Contracted services	1,723,415	1,232,397
Other administrative	5,533,120	5,699,764
Total administrative expenses	**40,352,984**	**35,152,717**
Provision for insurance losses	163,000,000	89,982,000
Total expenses	**203,352,984**	**125,134,717**
Excess of revenue over expenses	**$ 4,056,248**	**$ 35,129,724**

Statements of Insured Credit Union's Accumulated Contributions and Fund Balance

	Insured Credit Union Accumulated Contributions	Insurance Fund Balance
Balance at September 30, 1989	$ 1,568,974,263	$ 403,528,133
Contributions from insured credit unions	76,880,699	
Refunds of contributions from insured credit unions	(31,878,015)	
Excess of revenue over expenses		35,129,724
Balance at September 30, 1990	1,613,976,947	438,657,857
Contributions from insured credit unions	216,624,353	
Refunds of contributions from insured credit unions	(16,191,031)	
Excess of revenue over expenses		4,056,248
Balance at September 30, 1991	**$1,814,410,269**	**$442,714,105**

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

	Year Ended September 30, 1991	1990
Cash flows from operating activities:		
Excess of revenue over expenses	$ 4,056,248	$ 35,129,724
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Provision for insurance losses	163,000,000	89,982,000
Payments relating to losses from supervised credit unions and asset and merger guarantees, net	(103,799,000)	(61,735,000)
Changes in operating assets and liabilities:		
Premium receivable	(164,941,088)	
Accrued interest receivable	16,479,451	(13,572,975)
Assets acquired from credit unions, net	(16,881,187)	(24,559,338)
Advances to credit unions	32,789,918	(28,531,129)
Amounts due to National Credit Union Administration Operating Fund	1,036,630	434,339
Other notes receivable	180,184	(4,281,674)
Other receivables	61,293	6,140,730
Amounts due to insured shareholders of liquidated credit unions	2,953,616	5,873,224
Unearned premium revenue	123,705,816	
Accounts payable	164,418	302,442
Net cash provided by operating activities	58,806,299	5,182,343
Cash flows from investing activities:		
Investments, net	(108,258,553)	(490,975,757)
Collections on note receivable– National Credit Union Administration Operating Fund	72,000	72,000
Net cash used by investing activities	(108,186,553)	(490,903,757)
Cash flows from financing activities:		
Contributions from insured credit unions	216,624,353	76,880,699
Refunds of contributions from insured credit unions	(16,191,031)	(31,878,015)
Net cash provided by financing activities	200,433,322	45,002,684
Net increase (decrease) in cash and cash equivalents	151,053,068	(440,718,730)
Cash and cash equivalents at beginning of year	84,260,898	524,979,628
Cash and cash equivalents at end of year	$ 235,313,966	$ 84,260,898

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
September 30, 1991

Note A–Organization and Purpose

The National Credit Union Share Insurance Fund (the Fund) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) which was amended in 1984 by Public Law 98-369 as discussed in Note D. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance of $100,000 per shareholder account.

There are no concentrations of member share deposits within any region in the United States. Concentrations of member shares do exist within the manufacturing, government, and education industries.

NCUA exercises direct supervisory authority over federal credit unions and coordinates any required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semiannual basis and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if the difficulties are considered by the Fund to be temporary or correctable. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is determined to be infeasible, a merger partner may be sought. If the assistance or merger alternatives are not considered practical, the credit union is liquidated.

The first form of special assistance are waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the Fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not considered practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are at times guaranteed to third-party purchasers by the Fund.

Note B–Significant Accounting Policies

Cash Equivalents and Investments

Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Investments are stated at cost adjusted for amortization of premium and accretion of discount. Cash equivalents are highly liquid investments with original maturities of three months or less.

Advances to Insured Credit Unions

The Fund provides cash assistance in the form of interest and non-interest bearing capital notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing operations.

Assets Acquired from Credit Unions

The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring nonperforming assets of a credit union experiencing financial difficulty. Such assets acquired, net of established allowance, are recorded at their estimated net realizable value.

Premium Revenue

The Fund may assess each insured credit union a regular annual premium of 1/12 of 1 percent of member share deposits (insured member share deposits in the case of corporate credit unions) outstanding as of June 30 of the preceding insurance year. The NCUA Board assessed such a premium for the insurance year ending June 30, 1992. This assessment will be recognized as revenue on a pro rata basis over the insurance year and, therefore, resulted in premium income of $41,235,272 for the year ended September 30, 1991, and unearned premium income of $123,705,816 as of September 30, 1991. The premium will be collected in January 1992. The NCUA Board waived the 1991 and 1990 share insurance premiums.

Income Taxes

The Fund is exempt from Federal income taxes under 501(c)(1) of the Internal Revenue Code.

Note C–Provision for Insurance Losses

Management identifies credit unions experiencing financial difficulty through the supervisory and examination process. The estimated losses from these supervised credit unions are determined by management based on a case-by-case evaluation.

In exercising its supervisory function, the Fund at times will extend guarantees of assets (primarily loans) to third party purchasers or to credit unions to facilitate mergers; such guarantees totaled approximately $6,700,000 and $6,600,000 at September 30, 1991 and 1990, respectively. The estimated losses from asset and merger guarantees are determined by management based on a case-by-case evaluation.

The activity in the reserves for estimated losses from supervised credit unions and asset and merger guarantees for the years ended September 30,1991 and 1990 is shown on the table below.

In addition, the Fund guarantees loans made by the Central Liquidity Facility (CLF) and Corporate Credit Unions to credit unions. Total outstanding line-of-credit guarantees at September 30, 1991 and 1990 are approximately $116,290,000 and $35,943,000, respectively.

	Year ended September 30, 1991	1990
Beginning balance	$ 75,712,000	$ 47,465,000
Provision for insurance losses	163,000,000	89,982,000
Insurance losses and transfers to the allowance for losses on acquired assets	(125,778,849)	(74,165,957)
Recoveries	21,979,849	12,430,957
Ending Balance	**$134,913,000**	**$ 75,712,000**

Note D–Fund Capitalization

Title VIII of Public Law 98-369, effective July 14, 1984, provided for the capitalization of the Fund through the contribution by each insured credit union of an amount equal to 1 percent of the credit union's insured shares to be paid initially by January 21, 1985, and to be adjusted annually thereafter. The annual adjustment of the contribution is based on member share deposits outstanding as of June 30 of the preceding fiscal year and is billed on a calendar year basis. The 1 percent contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, insurance coverage is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The aggregate contribution of $1,814,410,269 at September 30, 1991, consists of $1,730,537,246 of insured credit union accumulated contributions and $83,873,023 of the previously accumulated fund balance which was designated by the NCUA Board as a component of credit union accumulated contributions in 1984. Total insured shares at June 30, 1991 were $196,653,000,000 for which additional net contributions of approximately $152,122,000 will be payable to the Fund in January 1992.

The law requires that upon receipt of the 1 percent contribution, the total fund balance must be maintained at a normal operating level to be determined by the NCUA Board. The NCUA Board has determined this level to be a range of 1.25 percent to 1.3 percent of insured shares.

The NCUA Board did not declare any dividends during 1991 or 1990.

Note E–Cash Equivalents and Investments

All cash received by the Fund which is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

Cash equivalents and investments are shown in the table on the following page.

Total investment purchases and sales during fiscal years 1991 and 1990 are approximately $836,304,000 and $1,015,429,000, respectively. Investment maturities during fiscal years 1991 and 1990 were approximately $700,000,000 and $524,093,000, respectively. There were no gains or losses realized on investment transactions during 1991 or 1990.

Note F–Other Notes Receivable

The Fund entered into both secured and unsecured term notes related to the sale of assets held by the Asset Liquidation Management Center and recoveries on failed credit unions. The notes are being repaid in monthly principal installments with terms ranging from one to thirty years and interest rates ranging from 5.66 percent to 11 percent.

Note G–Available Borrowings

The Fund is authorized under the Federal Credit Union Act to borrow from the Treasury of the United States upon authorization by the NCUA Board to a maximum of $100,000,000 outstanding at any one time. The Central Liquidity Facility of NCUA is authorized to make advances to the Fund under such terms and conditions as may be established by

Balance Sheets

ASSETS	September 30, 1991	1990
Investments (Note E)	$ 1,923,144,265	$ 1,814,885,712
Cash, including cash equivalents of $235,263,811 and $83,249,644 (Note E)	235,313,966	84,260,898
Premiums receivable	164,941,088	
Accrued interest receivable	37,195,377	53,674,828
Assets acquired in assistance to insured credit unions, net of allowance for losses of $22,200,000 and $21,200,000	123,484,567	106,603,380
Capital notes advanced to insured credit unions	35,100,928	67,890,846
Note receivable–National Credit Union Administration Operating Fund (Note H)	1,908,766	1,980,766
Other notes receivable (Note F)	12,833,504	13,013,688
Other receivables	2,108,774	2,170,067
Total assets	**$2,536,031,235**	**$2,144,480,185**

LIABILITIES AND FUND CAPITALIZATION	1991	1990
Estimated losses from supervised credit unions (Note C)	$ 130,797,000	$ 72,688,000
Estimated losses from asset and merger guarantees (Note C)	4,116,000	3,024,000
Amounts due to insured shareholders of liquidated credit unions	18,158,495	15,204,879
Unearned premium revenue	123,705,816	
Due to National Credit Union Administration Operating Fund (Note H)	1,662,690	626,060
Accounts payable	466,860	302,442
Total liabilities	**278,906,861**	**91,845,381**
Fund capitalization:		
Insured credit unions' accumulated contributions (Note D)	1,814,410,269	1,613,976,947
Insurance fund balance	442,714,105	438,657,857
Total fund capitalization	**2,257,124,374**	**2,052,634,804**
Commitments (Notes C and H)		
Total liabilities and fund capitalization	**$2,536,031,235**	**$2,144,480,185**

The accompanying notes are an integral part of these financial statements.

Statements of Operations

REVENUE	Year Ended September 30, 1991	1990
Interest	$ 162,979,245	$ 159,095,503
Premiums	41,235,272	
Other	3,194,715	1,168,938
Total revenue	**$ 207,409,232**	**$ 160,264,441**

EXPENSES	1991	1990
Administrative expenses (Note H)		
Employee wages and benefits	$ 25,928,471	$ 22,263,674
Travel	4,314,378	3,648,449
Rent, communications, and utilities	2,853,600	2,308,433
Contracted services	1,723,415	1,232,397
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Provision for insurance losses	163,000,000	89,982,000
Total expenses	**203,352,984**	**125,134,717**
Excess of revenue over expenses	**$ 4,056,248**	**$ 35,129,724**

Statements of Insured Credit Union's Accumulated Contributions and Fund Balance

	Insured Credit Union Accumulated Contributions	Insurance Fund Balance
Balance at September 30, 1989	$ 1,568,974,263	$ 403,528,133
Contributions from insured credit unions	76,880,699	
Refunds of contributions from insured credit unions	(31,878,015)	
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Statements of Cash Flows

	Year Ended September 30, 1991	1990
Cash flows from operating activities:		
Excess of revenue over expenses	$ 4,056,248	$ 35,129,724
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Payments relating to losses from supervised credit unions and asset and merger guarantees, net	(103,799,000)	(61,735,000)
Changes in operating assets and liabilities:		
Premium receivable	(164,941,088)	
Accrued interest receivable	16,479,451	(13,572,975)
Assets acquired from credit unions, net	(16,881,187)	(24,559,338)
Advances to credit unions	32,789,918	(28,531,129)
Amounts due to National Credit Union Administration Operating Fund	1,036,630	434,339
Other notes receivable	180,184	(4,281,674)
Other receivables	61,293	6,140,730
Amounts due to insured shareholders of liquidated credit unions	2,953,616	5,873,224
Unearned premium revenue	123,705,816	
Accounts payable	164,418	302,442
Net cash provided by operating activities	58,806,299	5,182,343
Cash flows from investing activities:		
Investments, net	(108,258,553)	(490,975,757)
Collections on note receivable– National Credit Union Administration Operating Fund	72,000	72,000
Net cash used by investing activities	(108,186,553)	(490,903,757)
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Cash and cash equivalents at beginning of year	84,260,898	524,979,628
Cash and cash equivalents at end of year	$ 235,313,966	$ 84,260,898

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
September 30, 1991

Note A–Organization and Purpose

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Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if the difficulties are considered by the Fund to be temporary or correctable. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is determined to be infeasible, a merger partner may be sought. If the assistance or merger alternatives are not considered practical, the credit union is liquidated.

The first form of special assistance are waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the Fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not considered practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are at times guaranteed to third-party purchasers by the Fund.

Note B–Significant Accounting Policies

Cash Equivalents and Investments

Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Investments are stated at cost adjusted for amortization of premium and accretion of discount. Cash equivalents are highly liquid investments with original maturities of three months or less.

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The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring nonperforming assets of a credit union experiencing financial difficulty. Such assets acquired, net of established allowance, are recorded at their estimated net realizable value.

Premium Revenue

The Fund may assess each insured credit union a regular annual premium of 1/12 of 1 percent of member share deposits (insured member share deposits in the case of corporate credit unions) outstanding as of June 30 of the preceding insurance year. The NCUA Board assessed such a premium for the insurance year ending June 30, 1992. This assessment will be recognized as revenue on a pro rata basis over the insurance year and, therefore, resulted in premium income of $41,235,272 for the year ended September 30, 1991, and unearned premium income of $123,705,816 as of September 30, 1991. The premium will be collected in January 1992. The NCUA Board waived the 1991 and 1990 share insurance premiums.

Income Taxes

The Fund is exempt from Federal income taxes under 501(c)(1) of the Internal Revenue Code.

Note C–Provision for Insurance Losses

Management identifies credit unions experiencing financial difficulty through the supervisory and examination process. The estimated losses from these supervised credit unions are determined by management based on a case-by-case evaluation.

In exercising its supervisory function, the Fund at times will extend guarantees of assets (primarily loans) to third party purchasers or to credit unions to facilitate mergers; such guarantees totaled approximately $6,700,000 and $6,600,000 at September 30, 1991 and 1990, respectively. The estimated losses from asset and merger guarantees are determined by management based on a case-by-case evaluation.

The activity in the reserves for estimated losses from supervised credit unions and asset and merger guarantees for the years ended September 30,1991 and 1990 is shown on the table below.

In addition, the Fund guarantees loans made by the Central Liquidity Facility (CLF) and Corporate Credit Unions to credit unions. Total outstanding line-of-credit guarantees at September 30, 1991 and 1990 are approximately $116,290,000 and $35,943,000, respectively.

	Year ended September 30, 1991	1990
Beginning balance	$ 75,712,000	$ 47,465,000
Provision for insurance losses	163,000,000	89,982,000
Insurance losses and transfers to the allowance for losses on acquired assets	(125,778,849)	(74,165,957)
Recoveries	21,979,849	12,430,957
Ending Balance	**$134,913,000**	**$ 75,712,000**

Note D–Fund Capitalization

Title VIII of Public Law 98-369, effective July 14, 1984, provided for the capitalization of the Fund through the contribution by each insured credit union of an amount equal to 1 percent of the credit union's insured shares to be paid initially by January 21, 1985, and to be adjusted annually thereafter. The annual adjustment of the contribution is based on member share deposits outstanding as of June 30 of the preceding fiscal year and is billed on a calendar year basis. The 1 percent contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, insurance coverage is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The aggregate contribution of $1,814,410,269 at September 30, 1991, consists of $1,730,537,246 of insured credit union accumulated contributions and $83,873,023 of the previously accumulated fund balance which was designated by the NCUA Board as a component of credit union accumulated contributions in 1984. Total insured shares at June 30, 1991 were $196,653,000,000 for which additional net contributions of approximately $152,122,000 will be payable to the Fund in January 1992.

The law requires that upon receipt of the 1 percent contribution, the total fund balance must be maintained at a normal operating level to be determined by the NCUA Board. The NCUA Board has determined this level to be a range of 1.25 percent to 1.3 percent of insured shares.

The NCUA Board did not declare any dividends during 1991 or 1990.

Note E–Cash Equivalents and Investments

All cash received by the Fund which is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

Cash equivalents and investments are shown in the table on the following page.

Total investment purchases and sales during fiscal years 1991 and 1990 are approximately $836,304,000 and $1,015,429,000, respectively. Investment maturities during fiscal years 1991 and 1990 were approximately $700,000,000 and $524,093,000, respectively. There were no gains or losses realized on investment transactions during 1991 or 1990.

Note F–Other Notes Receivable

The Fund entered into both secured and unsecured term notes related to the sale of assets held by the Asset Liquidation Management Center and recoveries on failed credit unions. The notes are being repaid in monthly principal installments with terms ranging from one to thirty years and interest rates ranging from 5.66 percent to 11 percent.

Note G–Available Borrowings

The Fund is authorized under the Federal Credit Union Act to borrow from the Treasury of the United States upon authorization by the NCUA Board to a maximum of $100,000,000 outstanding at any one time. The Central Liquidity Facility of NCUA is authorized to make advances to the Fund under such terms and conditions as may be established by

	September 30, 1991				
	Yield to Maturity at Market	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Cash Equivalents					
U.S. Treasury Securities					
overnight funds	6.84%	$ 235,263,811			$ 235,263,811
U.S. Treasury Securities					
Maturities up to one year	9.04%	$ 854,466,280	$12,705,575		$ 867,171,875
Maturities after one year					
through five years	8.38%	1,068,677,985	17,979,830		1,086,654,795
		$1,923,144,265	**$30,682,405**		**$1,953,826,670**

	September 30, 1990				
	Yield to Maturity at Market	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Cash Equivalents					
U.S. Treasury Securities					
overnight funds	8.92%	$ 83,249,644			$ 83,249,644
U.S. Treasury Securities					
Maturities up to one year	8.26%	$ 699,797,037	$ 3,075,417	$ (176,454)	$ 702,696,000
Maturities after one year					
through five years	8.99%	1,115,088,675	4,205,369	(971,124)	1,118,322,920
		$1,814,885,712	**$ 7,280,786**	**$(1,147,578)**	**$1,821,018,920**

the NCUA Board. No amounts were borrowed from these sources during 1991 or 1990.

Note H–Transactions with NCUA Operating Fund

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. NCUA charges the Fund for these services based on an annual allocation factor approved by the NCUA's Board of Directors derived from a study conducted by these Funds of actual usage. The allocation factor was 50% to the Fund and 50% to the NCUA Operating Fund in the years ended September 30,1991 and 1990. The cost of services provided by the NCUA Operating Fund was approximately $37,924,000 and $31,796,000 for 1991 and 1990, respectively, and includes pension contributions of approximately $2,292,000 and $1,802,000 for 1991 and 1990, respectively, to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans.

In fiscal year 1988, the Fund entered into a $2,160,766 thirty year unsecured term note with the NCUA Operating Fund. The note is being repaid in monthly principal installments of $6,000 with interest at a variable rate. The average interest rate during fiscal year 1991 was approximately 7.96 percent. The note receivable balance at September 30, 1991 was $1,908,766.

The NCUA Operating Fund leases certain office space under lease agreements which expire through 1998. The future minimum aggregate lease payments through expiration of the leases are approximately $7,505,601 at September 30, 1991. Based on the allocation factor approved by the NCUA Board of Directors for fiscal year 1991, the Fund will reimburse the NCUA Operating Fund for approximately 50% of the future lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $1,478,000 and $1,320,000 for 1991 and 1990, respectively. The amounts were derived using the current annual allocation factor.

Ten Year Trend

Fiscal Year

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
INCOME (thousands)										
Regular premium—federal	$29,658	$33,878	$40,404	$10,508	—	—	—	—	—	$26,174
Regular premium—state	15,197	17,374	19,781	5,208	—	—	—	—	—	15,061
Special premium—federal	19,419	34,561	—	—	—	—	—	—	—	—
Special premium—state	10,526	17,725	—	—	—	—	—	—	—	—
Interest income	18,358	20,141	30,088	83,789	121,080	112,407	127,075	146,612	159,096	162,979
Other	1,883	1,357	878	708	346	339	530	2,188	1,169	3,195
Total income	**$95,041**	**$125,036**	**$91,151**	**$100,213**	**$121,426**	**$112,746**	**$127,605**	**$148,800**	**$160,264**	**$207,409**
EXPENSES (thousands)										
Operating	$10,813	$10,315	$10,426	$10,927	$16,822	$21,466	$26,588	$30,817	$35,153	$40,353
Insurance losses	77,458	55,060	28,068	25,472	37,864	55,732	60,122	93,608	89,982	163,000
Losses on investment sales	1,805	1,796	2,326	—	—	—	—	—	—	—
Other	1,822	577	—	—	—	—	—	—	—	—
Total expenses	**$91,898**	**$67,748**	**$40,820**	**$36,399**	**$54,686**	**$77,198**	**$86,710**	**$124,425**	**$125,135**	**$203,353**
Net Income (thousands)	**$3,143**	**$57,288**	**$50,331**	**$63,814**	**$66,740**	**$35,548**	**$40,894**	**$24,375**	**$35,130**	**$4,056**
FISCAL YEAR-END DATA										
Total equity (thousands)	**$177,921**	**$235,209**	**$285,540**	**$1,119,356**	**$1,411,391**	**$1,602,251**	**$1,855,911**	**$1,972,502**	**$2,052,635**	**$2,257,124**
Equity as a percentage of shares in NCUSIF-insured credit unions	0.259%	0.292%	0.313%	1.28%	1.23%[1]	1.23%	1.24%	1.25%	1.25%	1.23%
Contingent liabilities (thousands)[2]	**$149,090**	**$67,338**	**$23,930**	**$4,131**	**$4,684**	**$5,572**	**$3,407**	**$10,663**	**$7,803**	**$6,734**
Contingent liabilities as a percentage of equity	83.8%	29.7%	8.4%	0.4%	0.3%	0.3%	0.2%	0.5%	0.4%	0.3%
NCUSIF loss per $1,000 insured shares	**$1.28**	**$0.77**	**$0.34**	**$0.26**	**$0.30**	**$0.38**	**$0.38**	**$0.58**	**$0.51**	**$0.83**
OPERATING RATIOS										
Premium income	78.7%	82.8%	66.0%	15.7%	—	—	—	—	—	19.9%
Interest income	19.3%	16.1%	33.0%	83.6%	99.7%	99.7%	99.6%	98.5%	99.3%	78.6%
Other income	2.0%	1.1%	1.0%	0.7%	0.3%	0.3%	0.4%	1.5%	0.7%	1.5%
Operating expenses	11.4%	8.3%	11.4%	10.9%	13.9%	19.1%	20.8%	20.7%	21.9%	19.5%
Insurance losses	81.5%	44.0%	30.8%	25.4%	31.2%	49.4%	47.1%	62.9%	56.1%	78.6%
Other expenses	3.8%	1.9%	2.6%	—	—	—	—	—	—	—
Total expenses	**96.7%**	**54.2%**	**44.8%**	**36.3%**	45.1%	68.5%	67.9%	83.6%	78.1%	98.1%
Net income	**3.3%**	**45.8%**	**55.2%**	**63.7%**	**54.9%**	**31.5%**	**32.1%**	**17.4%**	**21.9%**	**1.9%**
INVOLUNTARY LIQUIDATIONS COMMENCED										
Number	160	50	38	31	36	33	35	54	83	89
Share payouts (thousands)	$39,892	$9,954	$34,840	$15,499	$22,168	$3,213	$36,110	$21,687	70,875	$117,710
Share payouts as a percentage of total insured shares	0.058%	0.012%	0.039%	0.014%	0.020%	0.002%	0.023%	0.013%	0.040%	0.067%

[1] In July 1986, the NCUA Board approved a change in the insurance year from December 31 to June 30. Effective with fiscal year 1986, the equity percentage is based upon June 30 insured shares.

[2] Effective with fiscal year 1983, contingent liabilities excludes the amount of Guaranty Account assistance outstanding. Balance sheet reserves for potential losses in supervised credit unions fully provide for all losses that might arise from Guaranty Account assistance.

Ten Year Trend
End of Calendar Year

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991[1]
SHARES IN NCUSIF-INSURED CREDIT UNIONS (millions)[2]										
Federal credit unions	$41,352	$49,889	$57,927	$71,615	$86,709	$94,927	$104,431	$109,653	$117,881	$130,000
State credit unions	21,638	24,850	26,327	37,917	47,476	51,417	55,217	57,518	62,082	75,000
Total shares	**$62,990**	**$74,739**	**$84,254**	**$109,532**	**$134,185**	**$146,344**	**$159,648**	**$167,171**	**$179,963**	**$205,000**
NUMBER OF MEMBER ACCOUNTS IN NCUSIF-INSURED CREDIT UNIONS (thousands)										
Federal credit unions	26,095	26,700	28,170	29,576	31,041	32,067	57,235	53,301	55,222	57,000
State credit unions	13,160	13,460	15,205	15,689	17,362	17,999	27,376	32,547	30,726	33,000
Total	**39,255**	**40,160**	**43,288**	**45,265**	**48,403**	**50,066**	**84,611**	**85,848**	**85,948**	**90,000**
NUMBER OF NCUSIF-INSURED CREDIT UNIONS										
Federal credit unions	11,631	10,963	10,547	10,125	9,758	9,401	9,118	8,821	8,539	8,200
State credit unions	5,023	4,915	4,645	4,920	4,935	4,934	4,760	4,552	4,349	4,700
Total	**16,654**	**15,878**	**15,192**	**15,045**	**14,693**	**14,335**	**13,878**	**13,373**	**12,888**	**12,900**
Shares in NCUSIF-insured credit unions as a percentage of all credit union shares	82.9%	83.8%	82.0%	91.6%	96.4%	96.0%	96.1%	96.0%	96.0%	97.6%
State credit union portion of insured shares	34.4%	33.3%	31.3%	34.6%	35.4%	35.1%	34.6%	34.4%	34.6%	36.6%

[1] Estimated amounts as of December 31, 1991.

[2] Insured shares in Federally Insured Natural Person Credit Unions only.

Ten Year Trend
End of Fiscal Year

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
ASSISTANCE TO AVOID LIQUIDATION										
Capital notes and other cash advances outstanding	$16,839	$31,838	$36,413	$33,266	$22,396	$5,031	$5,117	$39,360	$67,891	$35,101
Noncash guaranty accounts	$48,786	$52,736	$54,213	$36,946	$39,903	$39,564	$41,127	$53,959	$98,576	$179,488
Number of active cases	124	113	72	45	30	16	25	43	42	52
NUMBER OF PROBLEM CASE INSURED CREDIT UNIONS (CODE 4 and 5)										
Number	1,192	1,124	872	742	794	929	1,022	794	678	685
Shares (millions)	$4,590	$4,652	$4,071	$4,055	$6,611	$8,135	$10,600	$8,400	$9,400	$10,400
Problem case shares as a percentage of insured shares	6.7%	5.9%	4.7%	3.9%	4.9%	4.9%	6.3%	4.8%	4.9%	5.2%
MERGERS–FISCAL YEAR										
Assisted[1]	167	203	92	63	58	55	50	60	81	41
Unassisted	272[2]	503	550	514	515	489	464	395	386	357

[1] Assisted merger cases were not separately identified until 1981.

[2] 1982 reflects nine months' activity (January 1, 1982 through September 30, 1982) to coincide with fiscal year. Prior to 1982, information on merger cases was reported on a calendar year basis.

Legislative History and Organization

The National Credit Union Share Insurance Fund (NCUSIF) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) on October 19,1970 without taxpayer money. The Fund was established as a revolving fund in the Treasury of the United States under the management of the Administrator of NCUA (now the NCUA Board). The Act directed the Administrator to insure member accounts in all federal credit unions and to qualifying state credit unions that requested insurance. The maximum amount of insurance was set initially at $20,000 per member account. This maximum was raised to $40,000 by Public Law 93-495 (October 29, 1974) and the current level of $100,000 by Public Law 96-221 (March 31, 1980). Public Law 98-369 July 18, 1984) provided for the capitalization of the NCUSIF by having each credit union deposit 1 percent of its insured shares into the Fund.

Money in the Fund can be used by the Board for insurance payments, for assistance authorized in the Federal Credit Union Act in connection with the liquidation or threatened liquidation of insured credit unions, and for expenses incurred in connection with carrying out the Act's purposes.

Seated left to right, Insurance Director, Dennis Winans, Risk Managment Director Gary Vopat, Operations Director, Alonzo Swann. Standing, Office of Examination and Insurance Director D. Michael Riley, Supervision Director Timothy Hornbrook, and Deputy Director, Office of Examination and Insurance David Marquis.

NCUA Board
Roger W. Jepsen, *Chairman*
Shirlee Bowné, *Vice Chairman*
Robert A. Swan, *Board Member*

Donald E. Johnson, *Executive Director*
Robert M. Fenner, *General Counsel*

Office of Examination and Insurance
D. Michael Riley, *Director*
David Marquis, *Deputy Director*

Department of Insurance
Dennis Winans, *Director*

Department of Operations
Alonzo Swann, *Director*

Department of Risk Management
Gary Vopat, *Director*

Department of Supervision
Timothy Hornbrook, *Director*

Organization

NCUA has a central office in Washington, DC, and six regional offices in Albany, New York; Washington, D.C.; Atlanta, Georgia; Itasca, Illinois; Austin, Texas; and Concord, California. Of the Agency's 950 employees, 773 are assigned to the regions. The regional offices are responsible for examining and supervising all federal and federally insured state-chartered credit unions. The regional offices perform the initial reviews of insurance applications and requests for financial assistance under Section 208 of the Federal Credit Union Act. They also are responsible for performing continued insurability reviews and assisting the ALMC in the liquidation process.

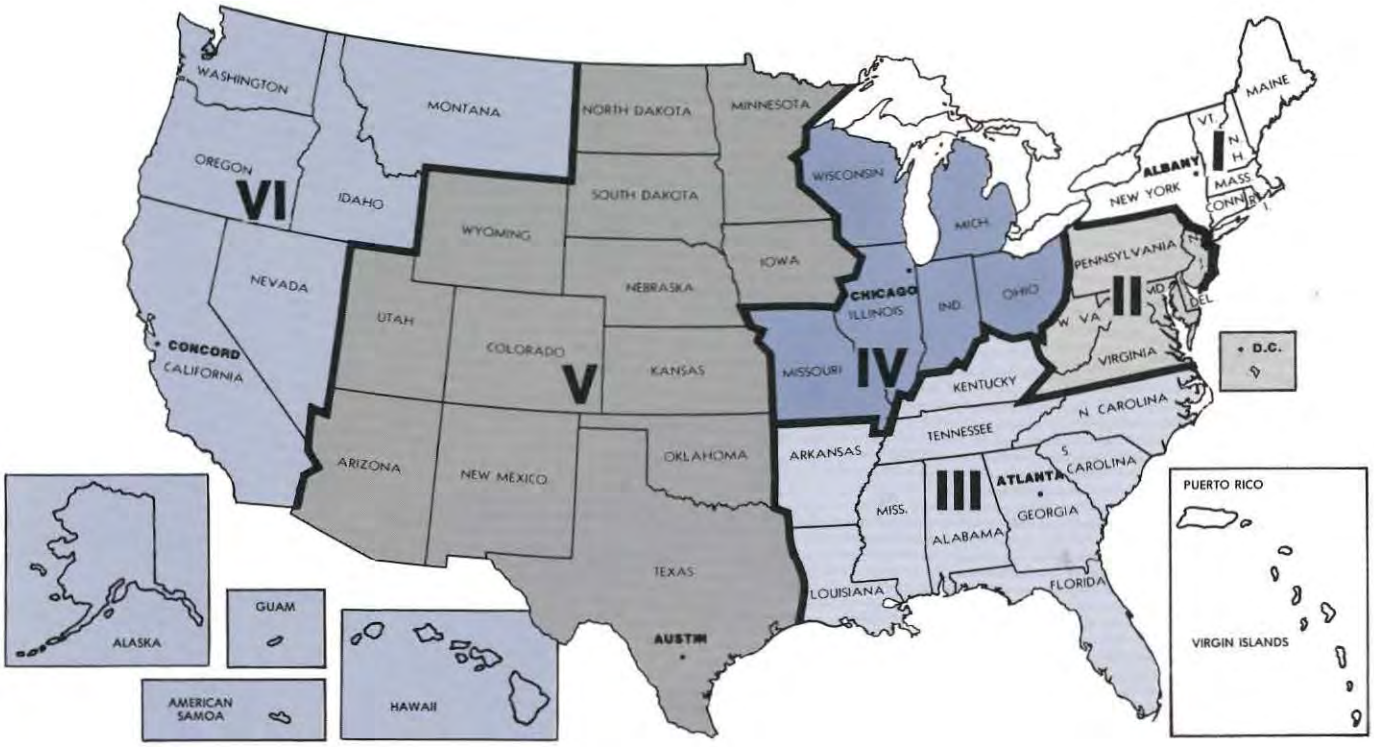
The NCUA Board and its staff are located in the central office in Washington, D.C. The central office's primary role is to provide support to regional offices. The accounting records and investments for the Fund are also managed from Washington, D.C.

1776 G Street, Northwest
Washington, DC 20456
(202) 682-9600

National Credit Union

Administration

Regional Offices



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Regional Director
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John S. Ruffin
Regional Director
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(512) 482-4500

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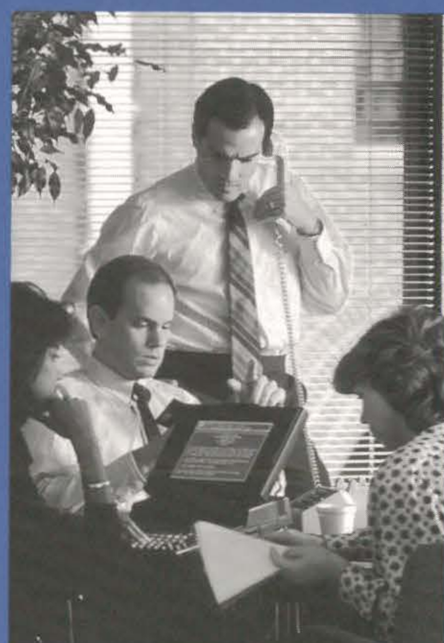
National Credit Union Administration
Washington, DC 20456

NCUA's mission is to ensure the safety and soundness of credit unions and to provide a flexible regulatory environment which will facilitate sound credit union development, while efficiently and effectively managing the agency's resources and the Share Insurance Fund.



National Credit Union Administration

Central Liquidity Facility

1991 Annual Report

Contents

The Congress finds that the establishment of a National Credit Union Central Liquidity Facility is needed to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.

National Credit Union Administration
Central Liquidity Facility
1776 G Street, NW
Washington, DC 20456

For Members in DC Metro Area:
202-682-9780
All Other Inquiries:
1-800-755-6010

Central Liquidity Facility Staff

Front to back

Robert J. LaPorte
President

Ron Lewandowski
Treasurer

Becky Garoutte
Accounting Technician

Dan Chapin
Financial Analyst

Letter From the NCUA Board

One characteristic that distinguishes a satisfactory organization from an outstanding organization is its commitment to serving the needs of the community. The Central Liquidity Facility (CLF) has been serving its members for 12 years, along the way establishing itself as a vital part of the credit union system.

The CLF's success can be attributed to its self-supporting financial status, its complementary working relationship with the corporate system, and its sensitivity to each member's particular needs.

Since 1979, the CLF has made 700 loans totaling nearly $6 billion, ranging in amount from a low of $13,000 to a high of $70 million. Although most of the loans have been for short-term periods of 30 to 90 days, some loans were made for overnight clearings.

There have been 15 long-term loans totaling a little over $92 million with an average life of four years. Loans have been made to provide liquidity during factory closings, seasonal transitions, investment and interest rate restructuring programs, and conservatorship and workout plan proceedings by regulators.

The CLF's credit facilities are provided through the U.S. Treasury's Federal Financing Bank and backed by the credit standing of the U.S. Government. Because of this secure credit backing, credit unions benefit, both by a potentially lower cost of funds and the certainty that funds will always be available in a crisis.

The CLF is a specialized industry lender concerned solely with meeting the needs of credit unions. It has not had any losses from any of its activities during its first 12 years of operation. It stands ready to serve the most important aspect of the entire credit union system–the credit union member.

Roger W. Jepsen, Chairman

Shirlee P. Bowné, Vice Chairman

Robert H. Swan
Member of the Board

Financial Summary

During fiscal year 1991, in addition to meeting its statutory mission, the CLF paid a market-based dividend to shareholders and exceeded the reserve targets established by the NCUA Board. Net income of $29.6 million before dividends equals a 6.15 percent return on members' capital and deposits for the fiscal year 1991.

Operating expenses of $860,000 were below the Congressionally approved $893,000 operating budget set for the CLF during fiscal year 1991.

The cooperative relationship between the corporate network and the CLF continues to provide efficiencies for CLF services that help to keep CLF's fixed administrative operating costs to a minimum. The operating expense ratio for 1991 was 2.4 percent.

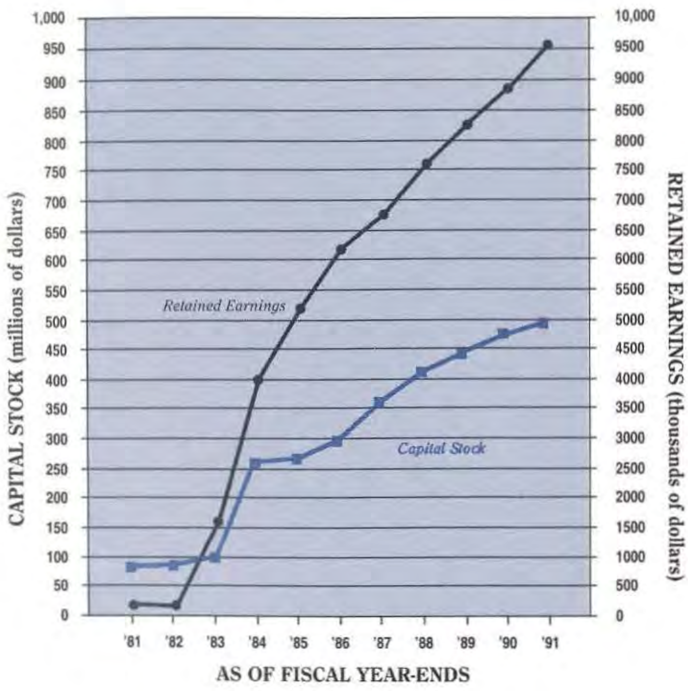
Retained earnings at September 30, 1991, stood at $9.6 million, an increase of 7 percent during the year. Although CLF has not had any losses from its lending and investment activities during its first twelve years of operation, this reserve account is a recognition that CLF activities are not completely risk free. Investment of these reserves also provides income which at current interest rates allows CLF to meet more than half of its operating expenses. The NCUA Board has established a short-term management goal of increasing reserves to the level where the earnings on these reserves will cover the CLF's operating expenses and a long range goal of 4 percent of assets.

Financial Highlights
Central Liquidity Facility
(12 months ending September 30)

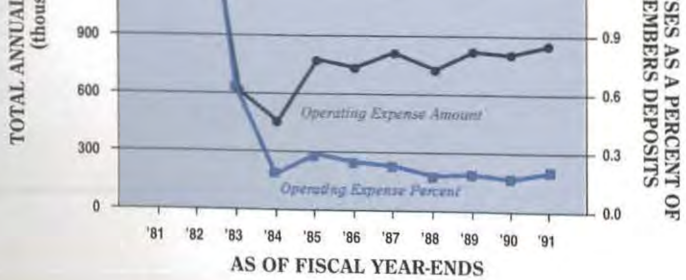
	1991	1990
OPERATING RESULTS		
Net Income	$ 29,620,000	$ 35,397,000
Dividends	$ 28,987,000	$ 34,711,000
Addition to Retained Earnings	$ 633,000	$ 686,000
AT FISCAL YEAR END		
Total Assets	$633,197,000	$533,005,000
Total Equity	$505,340,000	$460,715,000
Total Loans to Members	$114,580,000	$ 66,590,000
Total Employees	4	4
Total Members: via Agents (Credit Unions)	42(14,000)	42(14,500)
Direct Members	186	196

Quarter Ending	CLF Dividend 1991	CLF Dividend 1990	90 Day T-Bill Rate 1991
1st Quarter — 12/31	7.21%	7.88%	7.21%
2nd Quarter — 3/31	6.22	7.94	6.30
3rd Quarter — 6/30	5.72	8.04	5.83
4th Quarter — 9/30	5.46	7.76	5.55
Fiscal Year Average	**6.15%**	**7.91%**	**6.22%**

Equity Capital Trends



Operating Expense History



Dividends

Dividends on members' capital stock and deposits of $29.5 million resulted in an average return of 6.15 percent for the fiscal year.

The distribution of net earnings in dividends after all operating expenses was 98 percent of available net income. The per annum dividend rate paid per quarter on shares for the past two years and the average 90-day T-Bill rate for the current year are shown on the left.

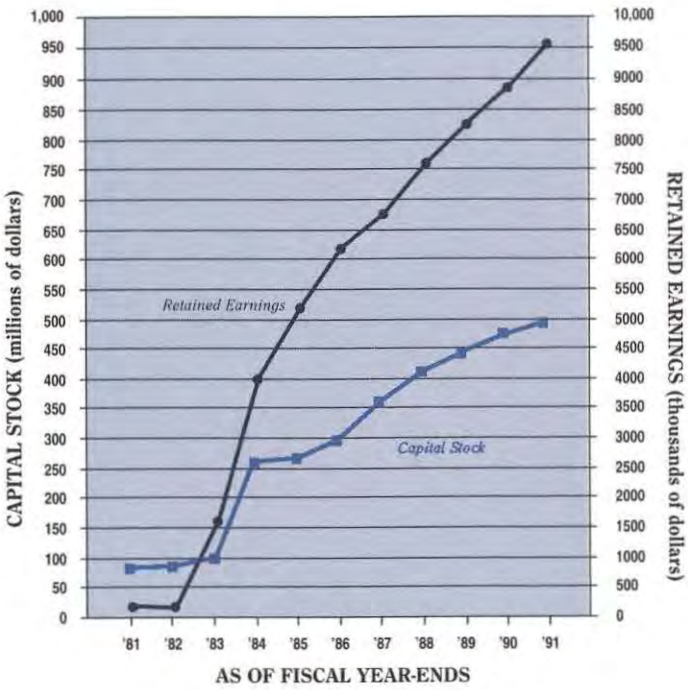
Loan Portfolio Spread

The CLF loan portfolio spread for the fiscal year was 19 basis points. The average outstanding loan balance for the year was $87 million, an increase of $5.7 million from the previous fiscal year. Overall the loan portfolio contributed $567,000 to net income during the year.

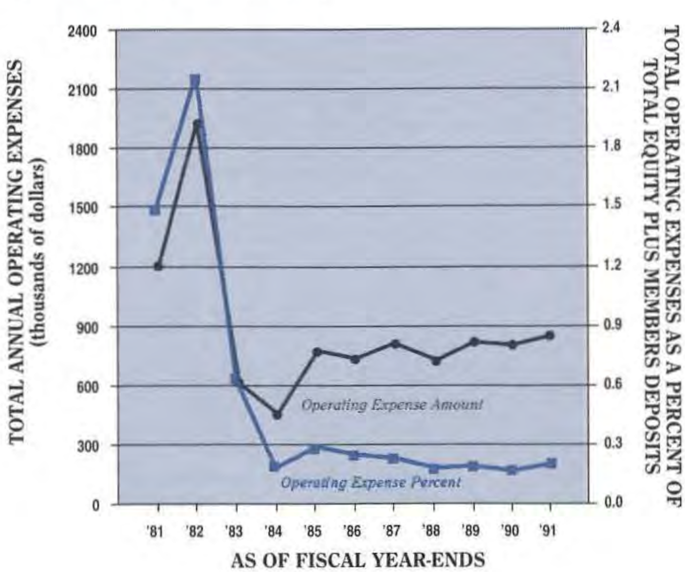
CLF tailors its lending rate to meet the situational lending needs of credit unions. Special loan programs, such as the Investment Liquidity Lending Program, are extended on a case-by-case basis and set at a rate that would provide the maximum benefit to these "208 type" credit unions. These loans are consistent with CLF's overall statutory purpose "to improve the general financial stability" of the credit union system.

Quarter Ending	CLF Dividend 1991	CLF Dividend 1990	90 Day T-Bill Rate 1991
1st Quarter — 12/31	7.21%	7.88%	7.21%
2nd Quarter — 3/31	6.22	7.94	6.30
3rd Quarter — 6/30	5.72	8.04	5.83
4th Quarter — 9/30	5.46	7.76	5.55
Fiscal Year Average	**6.15%**	**7.91%**	**6.22%**

Equity Capital Trends



Operating Expense History



Dividends

Dividends on members' capital stock and deposits of $29.5 million resulted in an average return of 6.15 percent for the fiscal year.

The distribution of net earnings in dividends after all operating expenses was 98 percent of available net income. The per annum dividend rate paid per quarter on shares for the past two years and the average 90-day T-Bill rate for the current year are shown on the left.

Loan Portfolio Spread

The CLF loan portfolio spread for the fiscal year was 19 basis points. The average outstanding loan balance for the year was $87 million, an increase of $5.7 million from the previous fiscal year. Overall the loan portfolio contributed $567,000 to net income during the year.

CLF tailors its lending rate to meet the situational lending needs of credit unions. Special loan programs, such as the Investment Liquidity Lending Program, are extended on a case-by-case basis and set at a rate that would provide the maximum benefit to these "208 type" credit unions. These loans are consistent with CLF's overall statutory purpose "to improve the general financial stability" of the credit union system.

Investments

Title III of the Federal Credit Union Act permits the CLF to invest in U.S. Government and Agency obligations, place deposits in federally insured financial institutions, and make investments in shares or deposits with credit unions. CLF's investment objectives are first to meet liquidity needs by holding in daily accounts sufficient funds to meet sudden loan demand, withdrawals from liquidity and clearing accounts, and any membership refunds, and then make authorized investments at various maturities to maximize yield. During 1991, all funds were placed in investments at maturities not exceeding six months.

Investments at September 30, 1991, stood at $511.7 million, an increase of $54.4 million from the previous year. The investments consist of two separate portfolios: the $444.5 million redeposit in U.S. Central, and $67.1 million invested in time deposits and daily accounts. The reinvestment at U.S. Central is at an "administered" rate set quarterly. The income from this managed spread when combined with all of CLF's other earnings is sufficient to pay CLF's entire operating and reserving costs, as well as the projected dividend. During fiscal year 1991, the yield on the redeposit was 6.22 percent.

The average maturity of the portfolio, excluding the redeposit, was 100 days at fiscal year-end, compared to 55 days at the beginning of the fiscal year. The average yield on the managed portfolio was 6.83 percent during the year. Including the yield on the redeposit in the corporate system, the overall return on CLF's investments was 6.28 percent for fiscal year 1991.

CLF Investment Portfolio
at September 30, 1991

Investment	Amount	% of Total Portfolio
Time Deposits	$ 40,000,000	7.8%
U.S. Central Daily Account	27,147,124	5.3
U.S. Central Redeposit	444,529,968	86.9
TOTAL	**$511,677,092**	**100.0%**

Maturity Schedule of CLF Investment Portfolio
at September 30, 1991

Month	Time Deposits	U.S. Central Daily Account	U.S. Central Redeposit	Total
October	$ 5,000,000	$27,147,124	$444,529,968	$476,677,092
November	5,000,000			5,000,000
December	5,000,000			5,000,000
January	10,000,000			10,000,000
February	10,000,000			10,000,000
March	5,000,000			5,000,000
TOTAL	**$40,000,000**	$27,147,124	$444,529,968	**$511,677,092**

Central Liquidity Facility

Financial Results

Central Liquidity Facility Financial Statements

for the Years Ended September 30, 1991 and 1990

Report of Independent Accountants

To the Board of the National Credit Union Administration
and the National Credit Union Administration
Central Liquidity Facility

In our opinion, the accompanying balance sheets and the related statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility at September 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration Central Liquidity Facility management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Washington, DC
November 12, 1991

Balance Sheets
(Expressed in thousands of dollars)

	September 30, 1991	1990
ASSETS		
Cash	$ 10	$ 7
Investments	511,677	457,335
Loans to members	114,580	66,590
Accrued interest receivable	6,930	9,073
Total assets	**$633,197**	**$533,005**
LIABILITIES AND EQUITY		
Liabilities		
Notes payable	$ 113,580	$ 56,581
Member deposits	13,462	14,880
Accrued interest payable	575	663
Accounts payable and other liabilities	240	166
Total liabilities	**127,857**	**72,290**
Equity		
Capital stock-required	495,711	451,719
Retained earnings	9,629	8,996
Total equity	**505,340**	**460,715**
Commitments		
Total liabilities and equity	**$633,197**	**$533,005**

The accompanying notes are an integral part of these financial statements.

Statements of Operations and Retained Earnings

(Expressed in thousands of dollars)

	Year Ended September 30, 1991	1990
INCOME		
Income from investments	$ 30,354	$ 36,549
Interest on loans	5,562	6,703
Other	30	34
Total income	**35,946**	**43,286**
EXPENSES		
Agent commitment fee	384	377
Personnel services	274	238
Other services	83	55
Rent, communications and utilities	39	39
Personnel benefits	32	26
Supplies and materials	19	27
Shipping and delivery	12	9
Employee travel	11	11
Printing and reproduction	6	13
Total operating expenses	**860**	**795**
Interest		
Federal Financing Bank	4,995	6,530
Member deposits	471	564
Total expenses	**6,326**	**7,889**
Net income	**29,620**	**35,397**
Dividends to members	28,987	34,711
Addition to retained earnings	633	686
Retained earnings at beginning of period	8,996	8,310
Retained earnings at end of period	$ 9,629	$ 8,996

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows
(Expressed in thousands of dollars)

	Year Ended September 30, 1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from investments	$ 32,424	$ 37,020
Interest received on loans	5,634	6,903
Other income received	30	34
Cash paid for operating expenses	(784)	(798)
Interest paid on borrowings	(5,083)	(6,720)
Net cash provided by operating activities	**32,221**	**36,439**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment maturities	225,940	240,592
Loan principal repayments	95,750	74,159
Purchase of investments	(280,282)	(254,212)
Loan disbursements	(143,740)	(28,577)
Net cash (used in) provided by investing activities	**(102,332)**	**31,962**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	129,880	23,171
Addition to member deposits	207	192
Issuance of required capital stock	46,073	22,106
Borrowing repayments	(72,881)	(78,000)
Withdrawal of member deposits	(31,084)	(34,884)
Redemption of required capital stock	(2,081)	(985)
Net cash provided by (used in) financing activities	**70,114**	**(68,400)**
Net increase in cash	3	1
Cash at beginning of year	7	6
Cash at end of year	$ 10	$ 7

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows (continued)

(Expressed in thousands of dollars)

	Year Ended September 30, 1991	1990
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	$ 29,620	$ 35,397
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease in accrued investment income receivable	2,070	471
Decrease in accrued loan interest receivable	72	200
Increase in accounts payable and other liabilities	76	(3)
Decrease in accrued interest payable	(88)	(190)
Interest deposited in member deposits	471	564
Total adjustments	**2,601**	**1,042**
Net cash provided by operating activities	**$ 32,221**	**$ 36,439**
SUPPLEMENTARY DISCLOSURE OF NON-CASH TRANSACTIONS		
Rollovers		
Loans	$368,555	$576,374
Borrowings	302,220	448,875
Dividends added to member deposits	**28,987**	**34,711**

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
September 30, 1991 and 1990

Note 1–Organization and Purpose

The National Credit Union Administration Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (Act). The CLF is designated as a mixed-ownership government corporation under the Government Corporation Control Act. The CLF exists within the National Credit Union Administration (NCUA) and is managed by the National Credit Union Administration Board. The CLF became operational on October 1, 1979.

The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions. The CLF is a tax-exempt organization under Section 501(c) of the Internal Revenue Code.

Note 2–Significant Accounting Policies

Basis of Accounting

The CLF maintains its accounting records on the accrual basis of accounting.

Cash Flows Reporting

For purposes of cash flows reporting, cash consists of deposits maintained in a checking account at a commercial bank.

Allowance for Loan Losses

Loans to members are made on both a short-term and long-term basis. For all loans the CLF either obtains a security interest in the assets of the borrower or in some cases receives the guarantee of the NCUA Share Insurance Fund.

The CLF evaluates the collectibility of its loans to members through examination of the financial condition of the individual borrowing credit unions and the credit union industry in general.

No allowance for loan losses was considered necessary at September 30, 1991 and 1990.

Investments

The CLF invests in members' share accounts (see Notes 5 and 8). All of the CLF's other investments are short-term with no maturities in excess of one year. These investments are recorded at cost, which approximates market value.

Note 3–Government Regulations

The CLF was created by the Act and is subject to various Federal laws and regulations. The CLF's operating budget requires Congressional approval and the CLF may not make loans to members for the purpose of expanding credit union loan portfolios. The CLF's investments are restricted to obligations of the United States Government and its agencies, deposits in federally insured financial institutions and shares and deposits in credit unions. Borrowing is Congressionally limited to twelve times equity and capital subscriptions on-call. However, the CLF has internally imposed a $600 million limitation on its borrowings. At September 30, 1991 and 1990, the CLF was in compliance with these limitations.

Note 4–Loans to Members

During 1991 loans were made only to member credit unions. These loans carry interest rates which ranged from 5.53 percent to 6.13 percent at September 30, 1991 (7.79 percent to 8.17 percent at September 30, 1990). The loans outstanding at September 30, 1991 are scheduled to mature during fiscal year 1992 (the loans outstanding at September 30, 1990 matured during fiscal year 1991). Included in loans to members at September 30, 1991 and 1990 are loans to U.S. Central Credit Union in its capacity as agent of the CLF (see Note 8) in the amount $108,580,000 and $66,590,000, respectively.

The CLF also provides members with extended loan commitments and lines of credit. There were $68,000,000 in outstanding commitments or lines of credit which expired at September 30, 1991. Subsequent to September 30, 1991, lines of credit to members totaling $63 million have been authorized.

The CLF provides lines of credit for state insurance corporations. Advances against these lines are non-revolving and fully secured by a senior perfected security interest in negotiable, marketable securities acceptable to the CLF. As of September 30, 1991, no advances had been made against the lines and all existing lines expired on that date. Subsequent to September 30, 1991, lines of credit totaling $7.0 million have been authorized. Each line of credit calls for a commitment fee of 1/4 of 1 percent per annum.

Note 5–Investments

Funds not currently required for operations are invested as follows (dollars in thousands):

	September 30,	
	1991	1990
U.S. Central (see Note 8)		
Redeposits	$444,530	$400,231
Share accounts	27,147	22,104
Time deposits	40,000	35,000
	$511,677	$457,335

Note 6–Notes Payable

All of the CLF's borrowings have been from the Federal Financing Bank. The interest rates on these obligations are fixed and range from 5.384 percent to 5.879 percent at September 30, 1991 (7.590 percent to 8.044 percent at September 30, 1990). Interest is generally payable upon maturity. The notes outstanding at September 30, 1991 are scheduled to mature during fiscal year 1992 (the notes outstanding at September 30, 1990 matured during fiscal year 1991).

The Secretary of the Treasury is authorized by the Act to lend up to $500 million to the CLF in the event that the Board certifies to the Secretary that the CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, President Reagan signed PL 97-101 which provided $100 million of permanent indefinite borrowing authority which may be provided by the Secretary of the Treasury to the CLF to meet emergency liquidity needs of credit unions.

Note 7–Capital Stock and Member Deposits

The required capital stock account represents subscriptions remitted to the CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which amount is required to be remitted to the CLF. Agent members' required subscription amounts equal one-half of one percent of the paid-in and unimpaired capital and surplus of all of the credit unions served by the agent member, one-half of which amount is required to be remitted to the CLF. In both cases the remaining one-half of the subscription is required to be held in liquid assets by the member credit unions subject to call by the National Credit Union Administration Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are declared and paid on required capital stock.

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

Note 8–Membership Increase

During the year ended September 30, 1984, the CLF accepted a membership request from U.S. Central Credit Union (USC) on behalf of 29 of its corporate credit union members. At September 30, 1991 and 1990, $467,974,210 and $423,980,407, respectively, of the required portion of subscribed capital stock was on deposit with the CLF by USC on behalf of its member credit unions.

In addition, by accepting this membership request, the CLF is initially committed to reinvest all but $50,000,000 of its total share capital in USC at market rates of interest. At September 30, 1991 and 1990, $471,677,000 and $422,335,000, respectively, were invested in USC share accounts at approximately 5.45 percent and 7.75 percent respective yields.

Note 9–Concentration of Credit Risk

At September 30, 1991, the CLF has a concentration of credit risk for its loans and investments with U.S. Central Credit Union of $108,580,000 and $471,677,000, respectively (see Notes 4 and 5). The maximum risk of accounting loss in the event of nonperformance by U.S. Central Credit Union would be $3,703,000. Management does not expect nonperformance by U.S. Central.

Note 10–Services Provided by the National Credit Union Administration

The National Credit Union Administration provides the CLF with miscellaneous services, data processing services, and supplies. In addition, the National Credit Union Administration pays CLF employee salaries as well as CLF's portion of monthly lease payments. The CLF reimburses the National Credit Union Administration on a monthly basis for these items.

Total reimbursements for the years ended September 30, 1991 and 1990 amounted to approximately $301,000 and $318,000, respectively.

Note 11–Pension Plan

The employees of the CLF are participants in the Civil Service Retirement and Disability Fund (CSRDF) which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit plans covering all of the employees of CLF. FERS is comprised of a Social Security Benefits Plan, a Basic Plan and a Savings Plan and is mandatory for all employees hired on or after January 1, 1984. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan employees can also elect additional contributions between one and ten percent of their gross pay and the CLF will match up to five percent of the employee elected contributions. CLF's contributions to the plans for the years ended September 30, 1991 and 1990 were approximately $21,000 and $14,000, respectively.

CLF does not account for the assets of the above plans nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers such as CLF.

Note 12–Lease

The CLF leases office space jointly with the National Credit Union Administration under a non-cancellable operating lease expiring in November 1994. The agreement provides for annual rent adjustments based on increases in the consumer price index. Under the terms of this lease, the CLF and the National Credit Union Administration are jointly and severally liable for future minimum lease payments as of September 30, 1991, as follows (dollars in thousands):

Year ended September 30,	
1992	$1,141
1993	1,141
1994	1,141
1995	95
	$3,518

The CLF's portion of these lease payments (rent expense) for each of the years ended September 30, 1991 and 1990 was approximately $36,000 and $39,000, respectively.

SELECTED FINANCIAL RATIOS

	1991	1990	1989	1988	1987
OPERATING RATIOS					
Total Operating Expenses/Total Income	2.4%	1.8%	1.8%	2.1%	3.1%
Interest Expense (FFB)/Total Income	13.9	15.1	20.7	21.7	22.1
Dividends/Total Income	80.6	80.2	74.8	72.0	69.8
Dividends/Net Income	97.9	98.1	98.1	96.6	96.8
Net Income After Dividends/Total Income	1.8	1.6	1.5	2.5	2.3
BALANCE SHEET USING FISCAL YEAR END DATA					
Total Equity/Total Assets	79.8%	86.4%	77.6%	75.5%	73.6%
Total Liabilities/Total Assets	20.2	13.6	22.4	24.5	26.4
Loans/Total Assets	18.1	12.5	19.8	22.3	23.2
Investments/Total Assets	80.8	85.8	78.4	76.2	75.4
Investments/Stock and Deposit Liabilities	100.5	98.0	99.7	99.5	100.4
Total Borrowings/Total Equity	22.5	12.3	25.4	28.9	31.4
Loans/Total Equity	22.7	14.5	25.6	29.5	31.5
PERFORMANCE RATIOS USING AVERAGE BALANCES					
Yield on Average Investments	6.3%	8.0%	8.5%	6.7%	6.0%
Yield on Average Loans	6.4	8.2	8.6	6.4	5.4
Yield on Total Average Earning Assets	6.3	8.1	8.5	6.6	5.9
Average Borrowing Rate	6.2	8.0	8.5	6.4	5.9
Average Dividend Rate	6.2	7.9	8.3	6.4	5.7

Agent Members

U.S. Central Agent Group

U.S. Central Credit Union
(Agent Group Representative)
Alabama Corporate CU
Capital Corporate FCU (MD)
Central Corporate CU (MI)
Colorado Corporate FCU
Constitution State Corporate CU, Inc. (CT)
Corporate CU of Arizona
Corporate Central CU of Utah
Corporate One CU
Eastern Corporate FCU (MASS)
Empire Corporate FCU (NY)
First Carolina Corporate CU (NC)
Garden State Corporate Central CU (NJ)
Georgia Central CU
Idaho Corporate CU, Inc.
Indiana Corporate FCU
Iowa League Corporate Central CU
Kansas Corporate CU
Kentucky Corporate FCU
Louisiana Corporate CU
Mid-Atlantic Corporate FCU (PA)
Mid-States Corporate FCU (IL)
Minnesota Corporate CU
Missouri League Corporate CU
Nebraska Corporate Central FCU
North Dakota Central CU
Oklahoma Corporate CU
Oregon Corporate Central CU
Pacific Corporate FCU (HI)
Puerto Rico Corporate CU
RICUL Corporate CU (RI)
South Dakota Corporate Central FCU
Southeast Corporate FCU (FL)
Southwest Corporate FCU (TX)
The Carolina Corporate CU (SC)
Treasure State Corporate Central CU (MT)
Tricorp FCU (ME)
Volunteer Corporate CU (TN)
Virginia League Corporate FCU
Washington Corporate Central CU
Western Corporate FCU (CA)
West Virginia Corporate CU
Wisconsin Corporate Central CU

Regular Members

Alabama

Redstone FCU
Sloss FCU

Alaska

Alaska USA FCU
Eielson Employees FCU
Matanuska Valley FCU
Ward Cove FCU

Arkansas

College Station Community FCU

California

Aerospace FCU
American Electronics Association
(S.F. Council) CU
Carlsbad City Employees FCU
Chaffey District Employees FCU
Continental FCU
Electrical Workers CU
Fiscal Employees FCU
Fort Ord FCU
Fresno Grangers FCU
Hughes Aircraft Employees FCU
Marquardt FCU
National School District Employees FCU
Naval Weapons Center FCU
Northrop Employees FCU
NSC Employees FCU
Pacific IBM Employees FCU
Russian American CU
Safeamerica FCU
Santa Barbara Teachers FCU
Sea Air FCU
Southern Baptist CU
TRW Systems FCU

CALIFORNIA (continued)

Union Oil Oleum FCU
USEIT FCU
Vallejo City Employees FCU

Connecticut

Sikorsky FCU
St. Boniface Parish FCU
West Haven Teachers FCU

District of Columbia

Bank-Fund Staff FCU
Geicos FCU
OAS Staff FCU
Tacomis FCU
Wright Patman Congressional FCU

Florida

Gainesville Florida Campus FCU
Suncoast Schools FCU
Tampa Bay FCU

Georgia

Augusta Industrial FCU
Augusta Seaboard Systems FCU
CSRA FCU
Fort Gordon FCU
Georgia State University FCU
Texaco Employees FCU
The Federal Employees CU

Guam

NAVMAR FCU

Idaho

Boise Telco FCU
Pocatello Teachers FCU
Potlatch No. 1 FCU
United Family FCU

Illinois

Chicago Fireman's Association CU
Pacesetter FCU

ILLINOIS (continued)

St. James Hospital Medical Center Employees FCU
West Suburban FCU

Indiana

Deaconess Hospital Employees FCU
JET CU

Kansas

Panhandle FCU
SM Postal FCU

Kentucky

Louchem FCU
Members First FCU
Owensboro Employees FCU
Rural Cooperatives CU Inc.

Louisana

Aneca FCU
National Heritage FCU

Maryland

Internal Revenue FCU
National Institutes of Health FCU

Massachusetts

Direct FCU
Worcester Central FCU

Michigan

ABD FCU
ACM Employees CU
Communications Family CU
Dearborn FCU
Detroit Teachers CU
DT & I Employees CU
East Central Upper Peninsula Employees CU
East Detroit School Employees CU
Hamtramck Community FCU
Kramer Homes FCU
Livonia Parishes FCU
Portland FCU
Shaw Box Employees FCU

MICHIGAN (continued)

State Employees CU
T&C FCU
VIP CU
Wayne Out County Teachers CU

Minnesota

Northern Pacific Duluth FCU
State Farm North Central FCU
Workmen's Circle CU

Missouri

Sears Kansas City Employees FCU

Nebraska

Nebraska State Employees CU

New Hampshire

St. Mary's Bank CU

New Jersey

Atlantic City Electric Company Employees FCU
East Bergen Teachers FCU
H.L.R. FCU
Manville Area FCU
Metuchen Assemblers FCU
Mobil Research No. 1166 FCU
South Jersey FCU
Union County Teachers FCU
Wenewark FCU

New Mexico

Espanola School Employees FCU
Los Alamos CU

New York

BCT FCU
Brighton School Employees FCU
Buffalo Police FCU
IBM Interstate Employees FCU
Italo-American FCU

NEW YORK (continued)

KASA Lithuanian FCU
MSBA Employees FCU
Municipal CU
N M P Northern Area FCU
North Rockland Educational FCU
Oneida Ltd Employees FCU
Orchard Park Central School FCU
Plattsburg Air Force Base FCU
School Employees of CNY FCU
U.S. Employees FCU
WCS FCU
W.C.T.A. FCU

North Carolina

Rowan-Iredell Area CU
TWIU Local 192 FCU

Ohio

Bellevue FCU
Celina Reynoco Employees FCU
Cincinnati Central CU
Cincinnati Postal Employees CU, Inc.
Daymon Employees FCU
East Ohio Gas Cleveland Operating Employees FCU
Emery Employees FCU
Fremont FCU
Golden Circle CU
Ironton DMI Employees FCU
LAN-FAIR FCU
MMD FCU
O'Neil's-Strouss FCU
Parmauto FCU
State Transportation Employees CU

OHIO (continued)

Sun FCU
T&C CU, Inc.
United Services FCU
Wittenberg University FCU
Yellow Springs Community FCU

Oklahoma

Phillipps O C District FCU
Riverwest FCU
Space Age Tulsa FCU

Oregon

Clackamas FCU
Coos Curry FCU
Federal Metals Central CU
Northwest Farmers Insurance Group FCU
Oregon Central CU
Rockwood Industrial FCU

Pennsylvania

Cal Ed FCU
Dauco FCU
Elliot Employees No. 1 FCU
Erie General Electric Employees FCU
Erie School Employees FCU
NE PA School Employees FCU
Nor-Car School Employees FCU
People First FCU
The United FCU
University of Pittsburgh FCU
Westmoreland Federal Employees FCU

Rhode Island

Credit Union Central Falls
Fairlawn CU
Twin City CU
Wood Lawn CU

South Dakota

Services Center FCU

Tennessee

Memphis Buckeye FCU
Oak Ridge Government FCU

Texas

Lubbock Teachers FCU
South Texas Healthcare FCU

Utah

Tooele FCU

Virginia

Apple FCU
Norfolk Municipal Employees FCU
Reymet FCU
Sperry Marine Employees FCU

Washington

Alva FCU
Walla Walla Engineers FCU
Weyerhaeuser Pulp Employees FCU

West Virginia

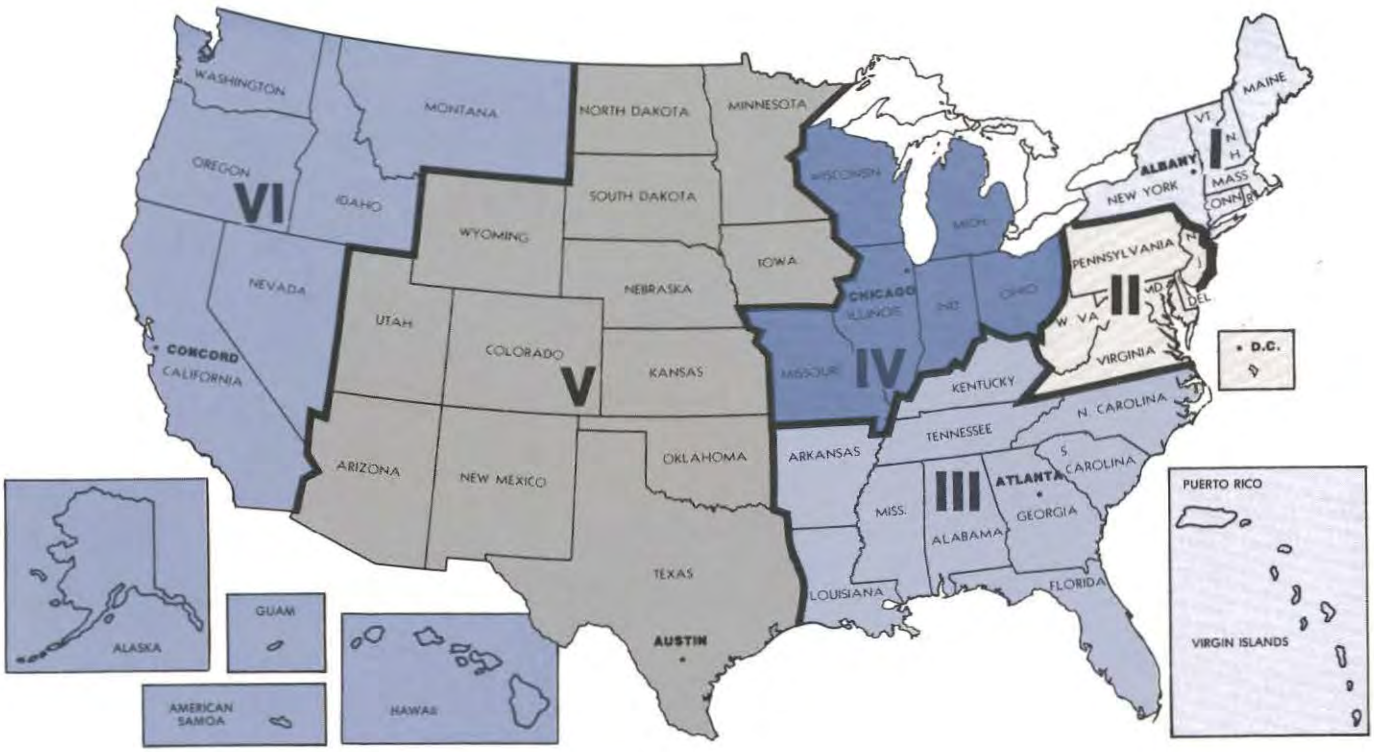
Huntington West Virginia Firemen's FCU
Steel Works Community FCU

Wisconsin

Heritage FCU

Art Direction & Design: Leigh Duvall, InnoVision, Alexandria, VA

National Credit Union Administration Regional Offices



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