FORMS OF CREDIT UNION CAPITAL:

Type	Definition	Comments
Retained Earnings	As defined by GAAP per FCUA	Can only be derived through net income
Secondary Capital	Permitted per RR Parts 701.34 and 741.204 for Low Income Designated (LID) credit unions only	Subject to numerous requirements including: • Investors limited to non-natural persons (corporations) • NCUA approved secondary capital plan • Minimum 5 year maturity • Uninsured and subordinate to all other claims • Cannot be pledged as security • Mandated disclosures and contracts • Amount included in net worth amortizes at 20% per year for the final five years of maturity • Amortizing amount can be repaid to the investor only with NCUA approval
Supplemental Capital **- PROPOSED**	Proposed in H.R. 989 "The Capital Access for Small Business Act".	Would allow Non-LID credit unions to offer "uninsured non-share accounts" subject to rules and regulations issued by the NCUA Board. These accounts could act in the same manner as secondary capital currently acts for LID credit unions, and could be counted as Net Worth for PCA purposes. At a minimum, the accounts must: • Not alter the cooperative nature of the credit union • Be subordinate to all other claims • Be available to cover losses without replenishment • If they have a stated maturity, have an initial maturity of at least 5 years • If they have a stated maturity, be subject to amortization of the amount included in net worth at the discretion of NCUA when the maturity is less than 5 years • Subject to disclosure and consumer protection requirements as determined by NCUA

Risk Based Supplemental Capital - to satisfy the risk based capital requirement for complex credit unions **– NOT INCLUDED IN THE CURRENT RISK BASED CAPITAL PROPOSAL**		Can Secondary Capital be used as a template for Risk Based Supplemental Capital? Consider: • Would not count as net worth pending H.R. 989 enactment. • NCUA approval of plans • Maturity requirements • Amortization requirements • Disclosures • Investor qualifications (limited to non-natural persons? Limits on credit unions to prevent round-robin investing?) • Insured status and claim priority • Membership/Voting rights