

Board Action Bulletin



Prepared by the Office of Public and Congressional Affairs

NCUA BOARD MEETING RESULTS FOR JULY 16, 2009



No change in NCUA's '09 budget amount

A midsession budget review by all NCUA offices indicates total operating and capital costs for the 12-month period ending December 31, 2009, are projected to remain at the original budget amount of **\$184,167,977**.

While the total dollar amount does not change, increases, decreases, new requests, and revised estimates require \$93,000 to be transferred from operations to capital acquisitions to cover planned expenditures. The largest dollar increases result from adding seven positions in central office, which brings NCUA's total staffing level to 1023.05, and expenses tied to travel and staff relocation.

NCUA's budget revisions include –

Operating Budget	Board			Revised Budget Needs
	Approved Budget	Reductions	Increases	
Employee Pay & Benefits	\$ 130,167,806	\$(1,197,055)	\$1,489,605	\$ 130,460,356
Travel	20,677,769	(1,235,045)	379,648	19,822,372
Rent/Communications/Utilities	4,388,796	(288,977)	118,000	4,217,819
Administrative	11,284,954	(272,500)	1,895,453	12,907,907
Contracted Services	11,344,357	(2,069,349)	1,087,220	10,362,228
Total	\$ 177,863,682	\$(5,062,926)	\$4,969,926	\$ 177,770,682
Capital Budget	6,304,295		93,000	6,397,295
	\$ 184,167,977	\$(5,062,926)	\$5,062,926	\$ 184,167,977

Actual spending for the first six months of the year was \$80,734,000, resulting in an under-budget variance of 8.6 percent. However, spending is typically at least 7 percent higher during the second half of the year.

Should any funds remain unused at year-end, which is determined by Operating Fund cash in excess of a one month operating reserve, NCUA's policy is to return excess funds to federal credit unions through a reduction in the operating fee assessment the following year.

NCUSIF calculation clarifications considered

The NCUA Board issued proposed rule changes to §741.4 and §701.6 to specify how to calculate a partial National Credit Union Share Insurance Fund (NCUSIF) premium or capitalization assessment when a credit union enters or leaves NCUSIF insurance during a year when an assessment occurs. Proposed amendments also revise the penalty calculation for late payment of a premium or capitalization deposit and include a parallel change to §701.6 regarding late payment of the operating fee.

Issued with a 30 comment period, the rule preamble offers application examples of the proposed amendments.

Board extends 18 percent loan interest rate ceiling

The NCUA Board voted to extend to March 10, 2011, the current 18 percent interest rate ceiling on loans made by federal credit unions.

Without Board action, the maximum loan interest rate would revert to 15 percent September 10, 2009. Current economic conditions justify continuing the ceiling of 18 percent for loans under the criteria required by the Federal Credit Union Act. Reverting to a 15 percent ceiling would restrict certain types of credit and adversely affect the financial condition of some federal credit unions.

Updated reporting and record retention rules finalized

The NCUA Board amended reporting procedures and record retention requirements to conform regulatory provisions to the agency's new, web-based reporting system. The rule incorporates into regulation a statutory requirement on reporting changes in senior officials resulting from election or appointment, and it clarifies when credit unions must file NCUA reports online. The rule also provides alternative reporting methods for credit unions unable to submit online reports.

Revisions to reporting and retention rules **Parts 741, 748 and 749** are effective September 1, 2009. NCUA's Office of Small Credit Union Initiatives and the Office of Examination and Insurance will offer training opportunities for credit unions and other affected parties to become familiar with the new online reporting system.

Final electronic, overdraft and account balance disclosure rules issued

The NCUA Board issued final rule Part 707, amending its Truth in Savings Act (TISA) rule, concerning permissibility of electronic disclosures, staff interpretations, and overdraft fees and account balance disclosures.

NCUA is amending its TISA rule, effective January 1, 2010, to align it with the Federal Reserve Board's Regulation DD. The rule withdraws a provision and provides guidance on delivering electronic disclosures. The rule also requires all credit unions to disclose aggregate overdraft fees for each period and year-to-date on periodic statements, and it addresses balance disclosures credit unions provide to members through automated systems.

Corporate liquidity guarantee program revised

The NCUA Board approved revisions to the Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP) Agreement to refine and clarify the claim process and align agreements more closely to those currently used in financial markets.

The revisions will enhance corporate credit unions ability to maintain stable liquidity by enabling them to access funds through public offerings of senior unsecured debt obligations. The revisions also implement the Board's order to legally obligate the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) for payments required by the TCCULGP.

Last October, the NCUA Board established the TCCULGP to provide a NCUSIF guarantee for newly issued senior unsecured debt obligations of federally insured corporate credit unions (CCUs). In May 2009, NCUA extended the terms and conditions of the TCCULGP and revised the fees charged to CCUs participating in the program, and in June 2009 the NCUA Board legally obligated the TCCUSF for any liability arising from the TCCULGP.

The revisions to the TCCULGP agreement identify TCCUSF rather than NCUSIF as the source of funds for the TCCULGP guarantee and implement the Board's June 18 order to legally obligate TCCUSF for any liability under TCCULGP.

Additional revisions to TCCULGP agreements address the needs of CCUs considering raising funds through public offerings to large investors. To instill confidence and heighten marketability, curtail cost and eliminate any perceived delay in timely repayment of principal and interest, proposed changes more closely align the language of the TCCULGP agreement to that of the FDIC Debt Guarantee Master Agreement, a familiar document to market investors.

The new TCCULGP agreement, which includes Proof of Claim and Assignment forms that may be used upon default, will be available on the Corporate Stabilization page of the NCUA website, [click here](#).

NCUSIF and Temporary Corporate Stabilization Fund status report

During June 2009, liabilities and expenses of corporate stabilization initiatives were transferred from the National Credit Union Share Insurance Fund (NCUSIF) to the newly created Temporary Corporate Credit Union

Stabilization Fund (TCCUSF). At June 30, 2009, the NCUSIF reserve balance was \$451.1 million for natural person credit unions and the TCCUSF reserve balance was \$4.98 billion for corporate credit unions.

NCUSIF year-to-date revenue and expense included investment income of \$97.4 million, premium income of \$700 million, total expenses of \$280.8 million, and insurance loss expense of \$226.4 million. Through June 30, NCUSIF net income was \$532.7 million.

Based on an estimated insured share base of \$702.1 billion, the NCUSIF equity ratio was 1.30 percent on June 30, 2009. Nine federally insured credit unions failed through June – three were involuntary liquidations and six were assisted mergers -- at a cost of \$53.3 million.

There were 309 problem code credit unions on June 30, 2009, with shares representing 4.1 percent of total insured shares – 55 percent held less than \$10 million in total shares and 2.3 percent held more than \$1 billion in total shares.

NCUA will consider a premium assessment at the September Board meeting.

Board votes are unanimous unless otherwise indicated