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# Board Action Bulletin

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*Prepared by the Office of Public and Congressional Affairs*

## NCUA BOARD MEETING RESULTS FOR SEPTEMBER 24, 2009



September 24, 2009, NCUA Board Room – Chairman Debbie Matz (center) joined by Board Members Michael Fryzel and Gigi Hyland.

### **Premium assessment and Stabilization Fund repayment approved**

For the first time nearly 20 years, the NCUA Board approved a credit union premium with the assessment of 0.15 percent of insured shares. This assessment level is consistent with the prior guidance provided to credit unions. The premium has two parts, including a .1027 percent premium assessment to increase the National Credit Union Share Insurance Fund (NCUSIF) equity to .30 percent and an assessment of .0473 percent to repay a portion of the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) borrowings plus accrued interest.

The NCUSIF portion of the assessment totals \$727.5 million and will maintain the NCUSIF at its normal operating level of 1.30 percent. The Stabilization Fund assessment totals \$337.8 million and will begin the repayment of the liability associated with the corporate credit union stabilization plan, including \$310 million of the \$1 billion in funds borrowed from Treasury and cash for payment of the accrued interest on the borrowed

funds that is due in June 2010. Credit unions can expect to receive an invoice no later than mid-November 2009, and payment will be due no later than mid-December.

### **NCUSIF and Temporary Corporate Stabilization Fund status report**

At August 31, 2009, the NCUSIF reserve balance was \$523.6 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 \$129.8 million, premium income of \$800 million, operating expense of \$82.8 million, and insurance loss expense of \$356.5 million. Through August 31, NCUSIF net income was \$514.4 million.

Based on an estimated insured share base of \$713.6 billion, the NCUSIF equity ratio was 1.30 percent on August 31, 2009. Seventeen federally insured credit unions failed through August -- seven were involuntary liquidations and ten were assisted mergers -- at a cost of \$92 million.

There were 315 problem code credit unions on August 31, 2009, with shares representing 4.55 percent of total insured shares -- 155 credit unions hold less than \$10 million in total assets and 11 credit unions hold more than \$1 billion in total assets.

### **Central Liquidity Facility policy changes adopted**

The NCUA Board approved changes to Central Liquidity Facility (CLF) investment and earnings retention policies. The changes include ratifying a recent change in investment strategy whereby CLF moved \$1.8 billion from U.S. Central FCU share accounts and certificates to Treasury securities in a short-term, laddered portfolio. The CLF Investment Policy was changed accordingly. The Earnings Retention Policy was revised to include the objectives of:

- a. Maintaining sufficient reserves to support CLF risks;
- b. Supporting the cost of CLF operations by managing income from the investment of retained earnings; and
- c. Reviewing the level of retained earnings at least annually to determine its adequacy.

CLF will retain sufficient earnings on an annual basis to reach its objectives within a reasonable period of time, and CLF will report to the Board at least annually on the status of reaching targeted goals. CLF's objective continues to be returning a fair dividend to subscribed stockholders.

### **Temporary CCU liquidity guarantee modified**

The NCUA Board approved an alternative form of agreement for the Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP) that specifically states NCUA guarantees corporate credit union program transactions and specifies the time period for payment when a valid claim is presented.

***Board votes are unanimous unless otherwise indicated***