
Board Action Bulletin



Prepared by the Office of Public & Congressional Affairs

NCUA BOARD MEETING RESULTS FOR MARCH 18, 2010

National Credit Union Share Insurance Fund report

NCUA's Chief Financial Officer reported the Fund's reserve balance totaled \$726.1 million February 28, 2010, with \$1.5 million charged to insurance loss expense thus far in 2010.

February 2010 ended with an NCUSIF equity ratio of 1.23 percent based on the amount of shares held by the nation's federally insured credit unions at year-end 2009. Once credit unions are billed for their 1 percent capitalization deposit adjustment, due in April, the equity ratio will rise to 1.26 percent.

Six federally insured credit unions have failed thus far in 2010 at a cost to the Fund of \$6.7 million -- 4 were involuntary liquidations and 2 were assisted mergers.

There were 337 CAMEL code 4&5 credit unions at February 28, 2010; 20 fewer than were reported last month.

The current distribution of federally insured credit union assets by CAMEL code follows:

- 81.37 percent of assets are held in CAMEL code 1&2 credit unions;
- 13.25 percent of assets are in CAMEL code 3 credit unions; and
- 5.38 percent of assets are held in CAMEL code 4&5 credit unions.

Through February, NCUSIF's annual revenue and expenses included total income of \$42.7 million, total expenses of \$23.2 million, resulting in net income of \$19.5 million.

During February, the Temporary Corporate Credit Union Stabilization Fund made a payment of \$310 million on the \$1 billion note payable to the U.S. Treasury.

Proposal establishes federal credit union director duties, clarifies merger and conversion requirements

The NCUA Board issued a proposed rulemaking, with a 60-day comment period, that addresses several related areas affecting federal credit union operations, and it acts to protect member rights. The proposal documents and clarifies the fiduciary duties and responsibilities of federal credit union directors. It also adds new provisions establishing procedures for insured credit unions merging into banks, and it would amend some existing regulatory

procedures related to insured credit unions merging with other credit unions and converting to banks.

Following-up on issues addressed in an Advance Notice of Proposed Rulemaking (ANPR) issued in 2008, the proposed rulemaking includes a new §701.4, which defines the general authorities as well as management and fiduciary duties of federal credit union directors. This section responds to the need to provide federal credit union directors with uniform standards.

Revisions to Part 708a address credit union conversions to mutual savings banks and credit union mergers into banks. Proposed Part 708a would better protect the secrecy and integrity of the voting process during conversion to a mutual savings bank by providing members with additional information about how the conversion could affect them, and it requires converting credit unions to provide copies of correspondence with other agencies related to the conversion.

The proposed rule would define and standardize procedures for credit union mergers into banks. Based on NCUA's right and responsibility to regulate both the procedures and basic aspects of a credit union's merger into a bank, the regulation would establish the procedures and requirements for obtaining approval of the NCUA Board and credit union members.

Proposed Part 708b revisions address credit union mergers with other credit unions and termination or conversion of NCUA federal deposit insurance status. The proposal adds balloting and procedure requirements to protect the integrity of the vote and ensure full and accurate disclosure to the members and to NCUA.

2011-2016 Strategic Plan presented to public

The NCUA Board heard a briefing on the NCUA Strategic Plan 2011–2016. The plan focuses on ensuring and maintaining confidence in a dynamic, safe and sound credit union system.

The plan was developed around four main objectives that include:

- Provide a broad, general, transparent roadmap of program and support operations;
- Encourage an innovative, flexible regulatory environment that increases access to financial services for all those eligible for credit union service;
- Increase alignment between essential mission functions and long-term strategic goals; and
- Align well-trained staff with existing resources and emerging issues.

The NCUA Strategic Plan 2011–2016 was issued with a 60-day public comment period.

Comments should be sent to Strategicplanning@ncua.gov.

Safety & soundness revisions proposed for RegFlex

The NCUA Board approved, by a 2 to 1 vote, proposed rule revisions to NCUA's Regulatory Flexibility Program to enhance safety and soundness for credit unions and adjust to the decline in the economy.

Amending Parts 701, 723 and 742, the proposal would revise RegFlex provisions affecting fixed assets, member business loans (MBLs), stress testing of investments, and discretionary control of investments. Some of these revisions will require conforming amendments to NCUA's fixed assets and MBL rules. The proposal was issued with a 60-day comment period.

Board votes are unanimous unless otherwise indicated. NCUA rule changes are posted online at www.ncua.gov under Resources/Regulations, Legal Opinions and Laws.