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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 OCTOBER 18, 2012

## NCUSIF in Stronger Position as Number, Assets of Problem Credit Unions Fall

*Board Also Proposes Extending Low-Income Designation Deadline to 90 Days*

ALEXANDRIA, Va. (Oct. 18, 2012) – The National Credit Union Administration (NCUA) Board convened its sixth open meeting in 2012 at the agency’s headquarters here today and unanimously approved two items:

- A proposed rule to extend the deadline for credit unions to accept the low-income designation to 90 days following notification of eligibility by NCUA.
- An application for a conversion to a community charter for BMI Federal Credit Union to serve the eight counties in the Columbus, Ohio, Metropolitan Statistical Area (MSA).

The Board also received a briefing on the financial condition of the National Credit Union Share Insurance Fund (NCUSIF) and the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund). The total assets in CAMEL code 3, 4 and 5 credit unions fell by \$10.7 billion during the third quarter as the NCUSIF equity ratio rose to 1.32 percent as of Sept. 30. The Stabilization Fund’s total liabilities and net position rose by \$800 million to \$1.7 billion during the quarter.

### ***Troubled Credit Union Count Falls, as NCUSIF and Stabilization Fund Stay Stable***

Chief Financial Officer Mary Ann Woodson briefed the Board on the financial performance of the NCUSIF and the Stabilization Fund through Sept. 30, as well as the count of troubled credit unions.

“The steady decline in the number of troubled credit unions and the continued improvements in the performance of the NCUSIF are a direct result of a recovering economy, the prudent actions of credit unions, and careful supervision by NCUA and state regulators,” NCUA Board Chairman Debbie Matz said. “Significantly, the percentage of assets in CAMEL code 3, 4 and 5 credit unions dropped to the lowest levels since 2008.”

The NCUSIF equity ratio was 1.32 percent as of Sept. 30, which is above the normal operating level of 1.3 percent set by the Board. The ratio is based on an insured share base of \$834.2 billion as of June 30.

The number of CAMEL code 3, 4 or 5 credit unions fell by 57 from the previous quarter. Overall, 15.1 percent of all federally insured credit union assets were in CAMEL code 3, 4 or 5 institutions, resulting in a one-percentage-point improvement from the end of the second quarter.

CAMEL code 4 and 5 credit unions decreased by 17, for a total of 382 as of Sept. 30. Assets and shares were \$26.3 billion and \$23.5 billion, respectively. As a percentage, CAMEL code 4 and 5 credit unions represented 2.8 percent of total insured shares.

CAMEL code 3 credit unions decreased by 40, for a total of 1,639 as of Sept. 30. Assets and shares were \$131.0 billion and \$116.5 billion, respectively. CAMEL code 3 credit unions represented 14.0 percent of the total insured shares as of Sept. 30.

For the third quarter of 2012, the NCUSIF reported gross income of \$53.6 million and operating expenses of \$38.7 million. The fund also reduced its reserve for insurance losses by \$147.2 million, resulting in an increase in net income. The NCUSIF had net income of \$162.1 million for the quarter and \$167.6 million year-to-date through Sept. 30.

There have been 16 consumer credit union failures in 2012. Seven were assisted mergers, and nine were involuntary liquidations, of which six were assisted purchase and assumptions. The cost of these failures through Sept. 30 was \$95.7 million.

As of Sept. 30, the total liabilities and net position of the Stabilization Fund was \$1.7 billion, more than \$800 million higher than June 30. The fund continued to have \$3.2 billion in outstanding U.S. Treasury borrowings.

The Stabilization Fund billed \$792.5 million from a special premium assessment in September. The fund received \$19.6 million in guarantee fees during the third quarter and more than \$61.4 million year-to-date through Sept. 30. As a result, the Stabilization Fund had net operating income of \$810.3 million for the quarter and \$897.7 million through Sept. 30.

The 2012 financial data for the NCUSIF and the Stabilization Fund is preliminary and unaudited.

### ***Extended Low-Income Credit Union Designation Acceptance Timelines Proposed***

Hundreds of credit unions around the country have indicated an interest in securing the low-income designation, but the current 30-day acceptance deadline in NCUA's current regulations could be an unnecessary obstacle for some. To address this situation, the Board approved a proposed rule to extend that deadline to 90 days.

“The proposed rule change is in keeping with NCUA's overall goal of providing regulatory relief and with the policy of continual review of regulations to update, clarify or simplify them,” Chairman Matz said. “This latest action is just one of many ways NCUA is working to cut red tape and ease regulatory burdens through my Regulatory Modernization Initiative.”

Under existing regulations, credit unions that receive notification from NCUA of eligibility for the low-income designation have 30 days to notify the agency they wish to accept. However, a credit union may need more than 30 days to analyze whether accepting the designation is desirable and obtain approval from the credit union's board of directors. Given the potential benefits that flow from the low-income designation, Chairman Matz said credit unions should

have sufficient time to properly assess whether to accept and complete their internal approval processes.

The Board issued the proposed rule with a 30-day comment period, once published in the *Federal Register*.

***Community Charter for BMI Federal Credit Union Approved***

The Board approved the application of BMI Federal Credit Union to convert to a community charter from a multiple common bond charter. Chartered in 1936, the credit union currently has more than 27,000 members and \$378.6 million in assets.

Located in Dublin, Ohio, the credit union originally served the employees of the Battelle Memorial Institute, a research and development center. As a result of the conversion, BMI Federal Credit Union will serve the eight counties in the Columbus MSA with a combined population of 1.8 million. The credit union plans to serve residents in the vicinity who want the services of a credit union, but who do not have access to them. The Columbus MSA includes 145 U.S. Census tracts, with nearly 500,000 residents, which would qualify as underserved areas.

Board approval was required as the Columbus MSA has a population greater than 1 million.

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