

---

# Board Action Bulletin

---



PREPARED BY THE OFFICE OF PUBLIC AND CONGRESSIONAL AFFAIRS

NCUA BOARD MEETING RESULTS FOR NOVEMBER 15, 2012

## NCUA Projects Strong Share Insurance, Stabilization Fund Performance in 2013 *NCUSIF Premium and Stabilization Fund Assessment Ranges Announced; "Realistic, Responsible, Prudent" Annual Budget Approved*

**ALEXANDRIA, Va. (Nov. 15, 2012)** – The National Credit Union Administration (NCUA) Board convened its seventh open meeting of 2012 at the agency’s headquarters here today. Board members received updates on the performance of the National Credit Union Share Insurance Fund (NCUSIF) and Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund), revealed 2013 premium and assessment ranges, and unanimously approved three items:

- A budget of \$251.4 million to fund NCUA’s activities in 2013 with no increase in the size of the workforce. The rate of the budget increase is slower than the credit union industry’s asset growth.
- A 2013 Overhead Transfer Rate of 59.1 percent—virtually unchanged from 2012—to fund operations related to the NCUSIF for 2013; and
- A 2013 federal credit union Operating Fee scale increase of less than a quarter percent that also exempts all federal credit unions with assets below \$1 million.

### ***Outlook Positive for NCUSIF and Stabilization Fund***

At the meeting, NCUA Board Chairman Debbie Matz and Board member Michael Fryzel received the 2013 projections for NCUSIF premiums and Stabilization Fund assessments that indicate an improving economic environment for credit unions.

“The data we see reflect the improving health and stability of the credit union industry,” Chairman Matz said. “While the demands on the Share Insurance Fund in 2013 will be determined by many economic factors and by possible unforeseeable losses, the most likely scenario we project would result in an equity ratio for the Share Insurance Fund at just under 1.30 percent of insured shares by the end of next year. That would mean there would be no need for a premium.”

NCUA projects an NCUSIF premium range between zero to 5 basis points in 2013. NCUA also projects a Stabilization Fund assessment range of 8 to 11 basis points in 2013.

For the Stabilization Fund, NCUA has now retired all \$5.5 billion in medium-term notes representing obligations of failed corporate credit unions. The primary remaining obligation of the Stabilization Fund is the outstanding \$5.1 billion in U.S. Treasury borrowings. The projected 2013 Stabilization Fund assessment will be used to repay between \$705 million to \$969 million of this outstanding balance.

To date, credit unions have paid \$4.1 billion through prior assessments for losses in the corporate credit union system. Currently, total future assessments are projected to range between \$1.9 billion and \$4.8 billion over the remaining life of the Stabilization Fund, which expires in 2021. The NCUA Board anticipates setting the 2013 assessment amount next summer, with the collection due by October 2013.

“Multiple economic factors will dictate next year’s Stabilization Fund assessment, so some uncertainty still exists about the 2013 level,” Chairman Matz added. “To minimize the total future assessments that credit unions will need to pay, NCUA continues to hold accountable and seek recoveries from the Wall Street securities firms that sold the faulty mortgage-backed securities to the five failed corporate credit unions.”

Although NCUA has provided the 2013 premium and assessment ranges to assist credit unions with budgeting projections, the actual premium or assessment level remains subject to change based on a variety of factors:

- For the NCUSIF, factors influencing the 2013 premium include growth in insured shares, yield on NCUSIF investments, and the timing and amount of any credit union failures that represent a cost to the NCUSIF.
- For the Stabilization Fund assessment, the Board must determine the strategy of assessments, balancing the repayment of the Treasury borrowings with the timing of cash flows from the remaining legacy assets. Factors affecting the decision are the projected amount of available borrowing authority, the performance of the NCUA Guaranteed Notes, the impact of the assessments on federally insured credit unions, and the overall borrowing costs to the system.

### ***2013 Budget Holds the Line on Staffing Levels***

The Board also approved a 2013 budget with no increase in total employees. The \$251.4 million budget is 6.1 percent increase from 2012, a rate slower than the projected 6.5 percent increase in industry assets.

“This is a realistic, responsible and prudent budget. It’s a sound investment for credit unions to protect their bottom lines and the Share Insurance Fund from any industry losses,” Chairman Matz said. “As the industry’s assets grow and credit unions engage in increasingly complex activities, NCUA must keep pace. We held the line in this budget with no increase in authorized staffing levels from 2012, and we reaffirmed our commitment to keeping costs under control by engaging in zero-based budgeting where every projected expense is justified.”

The budget assumes normal inflationary increases, as well as a conditional pay adjustment should Congress approve the President's request for a pay increase for all federal employees. In compliance with the terms of NCUA's Collective Bargaining Agreement with the National Treasury Employees Union, the budget indexes pay adjustments against changes to the General Schedule pay scale. The amount for pay and benefits may ultimately decrease in the Board's mid-session budget review if the federal pay raise does not become law.

Other significant budgetary changes in the 2013 NCUA budget include:

- Travel expenses increase by 2.9 percent, which is significantly below the average annual 15 percent increase over the last five years.
- Administrative expenses increase by 1 percent to cover access to advanced analytical tools and supply needs.
- Rent, communications and utilities expenses decrease by 3.3 percent.
- Contracting service expenses increase by 4.9 percent to improve webhosting, application support, and risk analysis and modeling.

### ***Overhead Transfer Rate Stays Steady***

The Board approved a recommendation from the Office of Examination and Insurance for an Overhead Transfer Rate (OTR) of 59.1 percent, a level slightly below the 2012 OTR of 59.3 percent. The overhead transfer from the NCUSIF covers expenses associated with NCUA's insurance-related activities.

In 2013, NCUA plans to review and evaluate the definitions used for insurance-related versus regulatory-related activities. NCUA will contract with an independent outside source to review the agency's work on the definitions and their use in determining the OTR in future years. This initiative is consistent with the NCUA's Board desire to ensure fairness to all credit unions, both federal and state charters, in the application of the OTR. An updated methodology may be completed in time for the Board to consider for the 2014 budget cycle.

### ***2013 Operating Fee Exempts Credit Unions under \$1 Million***

The Board approved a 2013 Operating Fee scale that exempts 328 federal credit unions with less than \$1 million in assets. Since 1996, NCUA had waived the operating fee for federal credit unions with less than \$500,000 in assets. NCUA uses the Operating Fee to pay for the costs of regulating federal credit unions.

A projected \$2.5 million reduction in NCUA's 2012 operating budget helped hold the 2013 Operating Fee increase to less than one-quarter of one percent, while maintaining cash reserves for contingencies. Assets of federal credit unions are projected to grow by 6.5 percent by the end of 2012. Thus, the asset level dividing points for the 2013 Operating Fee increased by 6.5 percent, as well. NCUA will bill federal credit unions the 2013 Operating Fee at a later date. The Operating Fee will be due before April 30, 2013.

**NCUA tweets all open Board meetings live. Follow @TheNCUA on Twitter. You can access Board Action Memorandums and NCUA rule changes online at [www.ncua.gov](http://www.ncua.gov).**