# Board Action Bulletin

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**NCUA BOARD MEETING RESULTS FOR FEB. 20, 2014**

# NCUA's Share Insurance Fund Continues Positive Trends

***Voluntary Liquidation Proposal Provides Regulatory Relief, Consumer Protection***

**ALEXANDRIA, Va. (Feb. 20, 2014) –** The National Credit Union Administration Board convened its second scheduled open meeting of 2014 at the agency's headquarters here today. The Board received an update on the Share Insurance Fund and unanimously approved a proposed rule that would simplify regulations governing the process of voluntary liquidation.

### *Positive Share Insurance Fund Trends Continue*

The Share Insurance Fund ended 2013 in a strong position due to continued improvement in the performance of federally insured credit unions and a decline in insurance and guarantee program liabilities.

The Share Insurance Fund ended 2013 with a 1.30 percent equity ratio. NCUA calculated the ratio on an insured share base of $866.3 billion, compared to $839.4 billion at the end of 2012, a growth of 3.2 percent. The net position of the Share Insurance Fund remained steady at $11.3 billion at the end of 2013.

"Protecting the Share Insurance Fund is NCUA's top priority, and the 2013 year-end results reflect the agency's prudent management and effective approach to regulation," NCUA Board Chairman Debbie Matz said. "The metrics continue trending in the right direction. The number of federal credit unions with CAMEL codes 3, 4 and 5 continued to decline, as did the exposure level of potential losses. Liquidations and assisted mergers fell sharply, with a substantial drop in actual losses to the fund."

Year over year, the Chief Financial Officer reported:

- The total number of CAMEL code 3, 4 and 5 credit unions dropped 7.9 percent, to 1,787 at year-end 2013 from 1,940 in 2012.
- Assets of CAMEL code 3 credit unions decreased to $108.6 billion at the end of the fourth quarter of 2013, a 9.0 percent drop from $119.3 billion on Dec. 31, 2012.
- Assets of CAMEL code 4 and 5 credit unions fell 27.4 percent, to $13.8 billion at the end of 2013, down from $19 billion for year-end 2012.

Overall, the amount of assets in CAMEL code 3, 4 and 5 credit unions have decreased 40.5 percent since reaching a high in September 2010. The continuation of these positive trends and other factors contributed to a net decrease of $191.8 million, or 46.5 percent, in the Share Insurance Fund's reserve for insurance losses during 2013.

During 2013, there were 17 credit union liquidations and assisted mergers, compared to 22 in 2012. The total amount of losses associated with failures in 2013 was $66.8 million, a decrease of 68 percent from $210.5 million the previous year.

When the Temporary Corporate Credit Union Stabilization Fund has outstanding borrowings from the U.S. Treasury, the Federal Credit Union Act requires NCUA to make a distribution from the Share Insurance Fund if that fund has an equity ratio above the normal operating level of 1.30 percent at year's end. As a result, NCUA transferred $95.3 million to the Stabilization Fund. This transfer will reduce future cash needs of the Stabilization Fund. Before the transfer, the Share Insurance Fund equity ratio had risen to 1.31 percent.

The Chief Financial Officer noted the Share Insurance Fund and the agency's three other permanent funds—the Operating Fund, the Central Liquidity Facility and the Community Development Revolving Loan Fund—each received an unmodified, or "clean," audit for 2013 from the agency's independent auditor.

NCUA did not assess a Share Insurance Fund premium in 2013. At the Board's open meeting in November 2013, the Board received a briefing on the proposed premium range for 2014; staff recommended a range of zero to five basis points.

### ***Board Proposes Update of Voluntary Liquidation Rule to Reduce Regulation***

Federal credit unions that choose voluntary liquidation would have fewer administrative requirements and members would have greater protection under a proposed rule (Part 710) approved by the Board. The proposal is part of NCUA's Regulatory Modernization Initiative.

"This proposal, modernizing a rule that hasn't been updated in more than 20 years, is intended to reduce administrative requirements and make sure credit union members receive their insured funds on a timely basis when a credit union goes through a voluntary liquidation," Matz said. "We do not intend to encourage more credit unions to liquidate, but if a failing credit union chooses this path, we need to make the process manageable. It's also important to emphasize that any interim distributions to members must fall within each account's insured limits to prevent uninsured shares from being paid prematurely."

The proposed changes would modernize the existing rule by increasing dollar thresholds for certain procedural requirements in a voluntary liquidation, give credit unions greater flexibility to use electronic means to publish creditor notices and issue member share payments, and permit preliminary distributions to members up to the insured amount of each share account.

Comments on the proposed rule, available online here, must be received within 60 days of publication in the *Federal Register*.

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