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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 SEPT. 18, 2014

## **Stabilization Fund Posts Positive Net Position** *First Service Charter Expansion Opens Door to 1.8 Million Potential Members*

**ALEXANDRIA, Va. (Sept. 18, 2014)** – The National Credit Union Administration Board convened its eighth scheduled open meeting of 2014 at the agency’s headquarters here today. The Board unanimously approved two items:

- Expansion of the community charter of First Service Federal Credit Union to serve eight counties around Columbus, Ohio.
- A final rule repealing NCUA’s regulation on unfair or deceptive advertising or practices in response to changes made by the Dodd-Frank Wall Street Reform and Consumer Protection Act and making other non-substantive changes to the agency’s rules to modify terminology and reflect changes in the agency’s operations.

The Chief Financial Officer also briefed the Board on the performance of the Temporary Corporate Credit Union Stabilization Fund, which achieved a positive net position for the first time.

### ***Stabilization Fund’s Assets Exceed Obligations***

As of June 30, 2014, the Stabilization Fund reported for the first time a positive net position of \$51.2 million, improving by \$91.6 million from a \$40.4 million deficit at the end of the first quarter. The change in the net position resulted primarily from improvements in projected cash flows relating to legacy assets that secure the NCUA Guaranteed Notes (NGN) Program.

“The cash flows from the legacy assets along with NCUA’s prudent management of the NGN Program continue to yield improved Stabilization Fund performance,” NCUA Board Chairman Debbie Matz said. “The Board announced last November we do not plan a Stabilization Fund assessment for 2014, and at this time we don’t expect to charge any more assessments in the future.”

The Stabilization Fund repaid \$300 million to the U.S. Treasury during the second quarter of 2014. Outstanding borrowings from the U.S. Treasury were \$2.6 billion at the end of the quarter. All obligations are scheduled to be repaid before the Stabilization Fund expires in June 2021.

The positive Stabilization Fund balance, however, does not mean there are funds available to provide credit unions with a refund at this time. The improving values of the legacy assets are

not available, as they secure the NGNs. NCUA also still must repay the money borrowed from the U.S. Treasury.

Finally, the projections are estimates. Future changes in the economy or the performance of the legacy assets are likely to change the value of the assets NCUA and the Stabilization Fund can eventually access at the end of the NGN Program.

The Stabilization Fund's second-quarter figures are preliminary and unaudited.

### ***Charter Expansion Opens First Service to Nearly 1.8 Million Potential Members***

Almost 1.8 million people are now potential members of First Service Federal Credit Union, headquartered in Groveport, Ohio, after the NCUA Board approved expansion of the credit union's community charter to serve part of the Columbus, Ohio, Metropolitan Statistical Area.

The full-service, community-chartered credit union requested the field-of-membership expansion to ensure future membership growth and provide low-cost loans and financial literacy programs to a broader segment of the local population. First Service has 16,104 members and assets of \$135.2 million, according to its most recent Call Report.

"This charter expansion will allow First Service to meet expanding loan demand from beyond its current single-county community and potentially reach an additional 115,000 underserved residents," Matz said. "First Service plans to minimize fees and promote products that build credit, offering a particular benefit to low-income residents. Notably, the credit union will reach out with bilingual employees, as nine percent of the local population speaks a language other than English. Finally, First Service will offer a wide range of electronic services including a partnership with three banks to offer ATM withdrawals nationwide."

First Service will now serve persons who live, work, worship or regularly conduct business or attend school, and businesses and other legal entities in Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway and Union counties.

Originally chartered in 1956 as Lockbourne Federal Credit Union, First Service initially served Lockbourne Air Force Base active-duty personnel. Over the years, the credit union expanded its membership by adding select employee groups and in 1984 converted to a community charter. In 1999, the credit union expanded its community charter to serve Franklin County.

Board approval is required for community charters to serve a population of more than 1 million.

### ***Housekeeping Amendments Repeal NCUA's Unfair or Deceptive Acts Rule***

The Board approved a final rule repealing NCUA regulations on unfair or deceptive practices and making other technical and housekeeping amendments to the agency's rules.

The Dodd-Frank Act repealed NCUA's rulemaking authority under the Federal Trade Commission Act to regulate unfair or deceptive acts or practices. As a result, the Board acted to repeal the agency's regulations covering those acts and practices (Part 706). However, credit unions still must comply with rules issued by the Consumer Financial Protection Bureau on

unfair and deceptive acts and practices. NCUA continues to have supervisory and enforcement authority regarding unfair deceptive acts and practices.

Federal credit unions are encouraged to review the [Interagency Guidance Regarding Unfair or Deceptive Credit Practices](#). The guidance is contained in NCUA's August 2014 [Letter to Federal Credit Unions 14-FCU-03](#).

The final rule also makes technical amendments to update terminology referring to payday alternative loans (Part 701) to more accurately reflect the nature and purpose of the loan product, and to conform NCUA's rules with recent agency restructurings (Part 790).

The final rule, available [here](#), becomes effective upon publication in the *Federal Register*.

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