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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 FEB. 19, 2015

## NCUA Board Proposes \$100 Million Threshold for Regulatory Relief

*Share Insurance Fund Trends Positive, Taunton Charter Expansion Approved*

ALEXANDRIA, Va. (Feb. 19, 2015) – The National Credit Union Administration Board convened its second open meeting of 2015 at the agency’s headquarters today. The Board unanimously approved two items:

- A proposed rule and policy statement to provide special consideration for regulatory relief in future rulemakings to more than three-quarters of federally insured credit unions by raising the asset ceiling of a “small entity” to \$100 million from the current \$50 million.
- A request from Taunton Federal Credit Union of Taunton, Massachusetts, to expand its community charter.

The Chief Financial Officer also briefed the Board on the performance of the National Credit Union Share Insurance Fund, which showed positive fourth-quarter results.

### ***77 Percent of Credit Unions Could Get Special Regulatory Consideration***

The NCUA Board approved a proposed rule (Part 791) and policy statement to update the definition of a “small entity” under the Regulatory Flexibility Act to include federally insured credit unions with assets of up to \$100 million.

“Small credit unions are essential to their communities, but many are struggling,” NCUA Board Chairman Debbie Matz said. “Few economies of scale, tight interest margins, outdated technology and new competitors are among the market forces our Office of Small Credit Union Initiatives works to help them overcome. To further help small credit unions compete, the NCUA Board has already taken several steps to alleviate regulatory burdens, including scaling our rules for interest rate risk, liquidity and risk-based capital and revising our examination process.

“We can, however, do more,” Matz said. “This proposal begins a process to provide more regulatory relief for more credit unions so that they can focus on serving their members, not on complying with regulations designed for larger credit unions that pose greater risk to the Share Insurance Fund.”

Under the proposal, 745 more credit unions would receive special consideration for reduced regulatory compliance requirements or exemptions in future NCUA rulemakings. The higher asset threshold commits the Board to specifically review the economic impact on small credit unions during future rulemakings. The Regulatory Flexibility Act generally requires federal agencies to determine and consider the effect of proposed and final rules on small entities.

Under the proposed definition for a “small entity,” approximately 4,869 federally insured credit unions would receive special consideration for regulatory relief. In all, the proposal would cover 77 percent of federally insured credit unions with 11 percent of the system’s assets.

In proposing the \$100 million asset ceiling, the NCUA Board analyzed a broad range of metrics, including: deposit, asset and membership growth rates; the ratio of operating costs to assets; merger and liquidation trends; and operating expenses. In addition to providing potential regulatory relief, the proposal would make more federally insured credit unions eligible for assistance from NCUA’s Office of Small Credit Union Initiatives, at no cost.

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

### ***Share Insurance Fund Continues Strong Positive Trends***

The Share Insurance Fund ended 2014 in a strong position due to continued improvement in the performance of federally insured credit unions, a strengthening economy and a decline in insurance and guarantee program liabilities.

The Share Insurance Fund posted net income of \$75.9 million in 2014 and ended the year with a 1.29 percent equity ratio. NCUA calculated the ratio on an insured share base of \$903 billion, compared to \$866.3 billion at the end of 2013, a growth of 4.2 percent. The net position of the Share Insurance Fund remained steady at \$11.8 billion at the end of 2014.

“The amount of assets in CAMEL codes 3, 4 and 5 credit unions continues to drop, reflecting less risk for the Share Insurance Fund,” Matz said. “Moreover, at 90.4 percent, the amount of assets in CAMEL codes 1 and 2 credit unions is now at its highest point in the last 10 years.”

Overall, the amount of assets in CAMEL codes 3, 4 and 5 credit unions has decreased 48 percent since reaching a high of \$205.6 billion in September 2010. The continuation of these positive trends and other factors contributed to a net decrease of \$42.4 million, or 19.2 percent, in the Share Insurance Fund’s reserve for insurance losses during 2014.

Year over year, the Chief Financial Officer reported:

- The number of CAMEL codes 4 and 5 credit unions fell 10.1 percent, to 276 at the end of 2014 from 307 at the end of 2013.
- Assets in CAMEL codes 4 and 5 credit unions fell 16.7 percent, to \$11.5 billion at the end of 2014, down from \$13.8 billion for year-end 2013.
- The number of CAMEL code 3 credit unions declined 4.7 percent, to 1,411 at the end of 2014 from 1,480 at the end of 2013.

- Assets in CAMEL code 3 credit unions declined 12.2 percent, to \$95.4 billion at the end of 2014 from \$108.6 billion at the end of 2013.

There were 15 involuntary liquidations and assisted mergers during 2014, compared to 17 credit union failures in 2013. The total amount of losses associated with failures in 2014 was \$40.4 million, a decrease of 39.5 percent from \$66.8 million the previous year. Fraud was a contributing factor in seven of these failures, at a cost of \$36.5 million during 2014.

The Chief Financial Officer also reported 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 opinion with no reportable conditions for 2014 from the agency's independent auditor.

“We take our financial stewardship responsibilities very seriously, on behalf of the credit unions we supervise and the members we insure,” Matz said. “Our history of six consecutive clean audits shows NCUA upholds the highest standards of financial management.”

Because of the fund's positive performance, NCUA did not assess a Share Insurance Fund premium in 2014. At the Board's open meeting in November 2014, the Board received a briefing on the proposed premium range for 2015. Staff recommended a range of zero to five basis points.

### ***Taunton Federal Credit Union Community Charter Expansion Approved***

More than 1.5 million people living in parts of southeastern Massachusetts and southern Rhode Island will have another choice for obtaining affordable financial services after the NCUA Board approved a request from Taunton Federal Credit Union to expand its community charter.

Chartered in 1947, Taunton Federal Credit Union originally served employees of the City of Taunton. NCUA approved a conversion to a community charter in 1995. Taunton Federal Credit Union has 15,534 members and assets of \$135.5 million, according to the credit union's most recent Call Report.

The full-service credit union will now be able to serve Bristol County, Massachusetts; Bristol, Kent, Newport and Providence counties in Rhode Island; and the towns of Charlestown, Exeter, Hopkinton, Narragansett, New Shoreham, North Kingston, Richmond and South Kingston, Rhode Island.

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

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