Board Action Bulletin

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NCUA BOARD MEETING RESULTS FOR MARCH 19, 2015

NCUA Seeks to Eliminate Fixed-Assets Cap

Stabilization Fund Continues to Improve, Future Assessments Unlikely

ALEXANDRIA, Va. (March 19, 2015) – The National Credit Union Administration Board convened its third open meeting of 2015 at the agency's headquarters today and unanimously approved one item:

- A proposed rule to provide regulatory relief to thousands of federal credit unions by eliminating certain provisions in the agency's fixed-assets rule, including the current five-percent cap on investments in fixed assets.

The Chief Financial Officer also briefed the Board on the performance of the Temporary Corporate Credit Union Stabilization Fund in 2014. For the first time, the Corporate Stabilization Fund ended the year with a positive net position.

Proposed Fixed-Assets Rule Cuts Red Tape

Federal credit unions would gain relief from current limits on fixed assets under a proposed rule (Part 701.36) approved by the Board.

The latest step in NCUA's Regulatory Modernization Initiative, the proposed rule would eliminate the current five-percent aggregate limit on investments in fixed assets for federal credit unions with assets of at least $1 million and provide other relief.

"This proposal provides real regulatory relief for more than 3,700 federal credit unions by removing restrictions on fixed assets and eliminating 2,500 hours of paperwork," NCUA Board Chairman Debbie Matz said. "I strongly feel credit unions should be able to upgrade facilities, update technology or purchase other fixed assets without regulatory micro-management."

In addition to eliminating the current five-percent cap, the proposed rule would:

- Eliminate provisions in the current rule relating to waivers from the aggregate limit.
- Simplify the rule's partial occupancy requirements by establishing a single six-year period and removing the current 30-month requirement for partial occupancy waiver requests.
- Move oversight of federal credit union fixed-assets ownership from regulation to the supervisory process.

"It's important to remember that over-concentration of fixed assets can still be dangerous, and, as we know, with greater freedom comes with greater responsibility," Matz said. "We do know that high levels of fixed assets have been a primary or contributing factor in 16 percent of federal credit union failures since 2009. Therefore, each credit union's board of directors would have to set limits that are appropriate and reasonable for their operations after the rule is finalized."

Once the rule is finalized, Matz plans to send a Letter to Federal Credit Unions with supervisory guidance to define credit union responsibilities and examiner expectations.

Comments on the proposed rule, available online here, must be received within 30 days of publication in the *Federal Register*.

Corporate Stabilization Fund Posts Positive Net Position

The Chief Financial Officer reported on the Corporate Stabilization Fund's operations, based on audited information.

For the year ending Dec. 31, 2014, the Corporate Stabilization Fund's net position increased by $380.7 million to a positive $238.5 million. The change resulted from improvements in projected cash flows relating to legacy assets that secure the NCUA Guaranteed Notes.

"The Stabilization Fund finished the year with a positive net position for the first time," Matz said. "We should be able to avoid any more assessments if current trends continue and the legacy assets perform well. NCUA is committed to careful management of the Corporate Stabilization Fund and the NGN program."

The Corporate Stabilization Fund recently received its sixth consecutive unmodified, or clean, audit opinion from the agency's independent auditing firm KPMG LLP.

Interest on agency borrowings from the U.S. Treasury was $3.8 million for the year, and administrative expenses were $4.4 million. Outstanding borrowings by the Corporate Stabilization Fund from the Treasury remained at $2.6 billion at year's end.

While the Corporate Stabilization Fund had a positive net position for 2014, no funds are available to provide credit unions with an immediate rebate. The improving values of the legacy assets secure the NCUA Guaranteed Notes. NCUA also must first repay the $2.6 billion borrowed from the Treasury. Future changes in the economy or the performance of the legacy assets are likely to change the value of the assets NCUA and the Corporate Stabilization Fund can eventually access at the end of the NGN program.

By law, the Corporate Stabilization Fund is scheduled to expire in 2021.

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