
Board Action Bulletin



PREPARED BY THE OFFICE OF PUBLIC AND CONGRESSIONAL AFFAIRS

NCUA BOARD MEETING RESULTS FOR SEPT. 17, 2015

NCUA Board Doubles Small Credit Union Threshold to \$100 Million

Matz Will Propose Streamlining Community Charter Approvals

ALEXANDRIA, Va. (Sept. 17, 2015) – The National Credit Union Administration Board convened its eighth open meeting of 2015 at the agency’s headquarters today and unanimously approved four items:

- A final rule and policy statement raising the asset ceiling of a “small entity” to \$100 million, providing special consideration for regulatory relief in future rulemakings to 76 percent of all federally insured credit unions.
- A request from Charlotte Metro Federal Credit Union, of Charlotte, North Carolina, to expand its community charter.
- A final rule giving corporate credit unions greater flexibility to provide bridge loans to credit unions awaiting funds from the Central Liquidity Facility, thereby expediting access to needed liquidity.
- A final rule adjusting civil monetary penalties for inflation, as required by federal law.

The Chief Financial Officer briefed the Board on the performance of the Temporary Corporate Credit Union Stabilization Fund, based on the best available preliminary and unaudited information. The Corporate Stabilization Fund remained in a positive net position.

Updated Definition of “Small” Means Relief for Hundreds More Credit Unions

More than three-quarters of all federally insured credit unions will be classified as small entities under the final rule (Part 791) and interpretive ruling and policy statement (IRPS 15-1) approved by the NCUA Board.

The Board’s action raises the asset ceiling for a “small” credit union from \$50 million to \$100 million under the Regulatory Flexibility Act. The change makes an additional 733 federally insured credit unions eligible for special consideration of regulatory relief in future rulemakings and assistance from NCUA’s Office of Small Credit Union Initiatives, including training and consulting. In all, 4,690 federally insured credit unions will be classified as small.

“The asset ceiling for small credit unions is now 10 times higher than when I became Chairman in 2009 and 100 times higher than when I first joined the Board in 2002,” NCUA Board

Chairman Debbie Matz said. “When I returned to the Board, CEOs of small credit unions told me the definition hadn’t kept pace with credit union trends, so updating this definition became part of my Regulatory Modernization Initiative.”

Matz said the Board considered even higher thresholds, as some advocated, but determined they would be difficult to justify with economic data.

“In today’s credit union system, an asset threshold above \$100 million is the logical floor for complex credit unions, and our data analysis shows a threshold under \$100 million meets the modern definition of a small credit union,” Matz said. “If we had chosen the same small entity threshold of \$550 million as the banking industry is required by law to do, we would have created five times the asset exposure to the National Credit Union Share Insurance Fund.”

In approving the \$100 million asset ceiling, the NCUA Board analyzed a wide range of metrics, including growth rates for assets, deposits, loans and membership; the ratio of operating costs to assets; and merger and liquidation rates.

The final rule, available online [here](#), will become effective 60 days after publication in the *Federal Register*. Pursuant to the agency’s rolling three-year regulatory review, the NCUA Board will reconsider the small credit union threshold in 2018.

Corporate Stabilization Fund Remains in Positive Net Position

For the quarter ending June 30, 2015, the Corporate Stabilization Fund’s net position increased by \$183.8 million to a positive \$475 million.

The increase included a \$107.3 million recovery related to the sale of several securities originally held by failed corporate credit unions. It also included a \$65.6 million reduction in provisioning for insurance losses as a result of continuing improvements in projected cash flows relating to the legacy assets that secure the NCUA Guaranteed Notes.

“The Corporate Stabilization Fund has now recorded a positive net position for five straight quarters, and that’s a testament to sound management,” Matz said. “We’re on the right course, one that has significantly minimized the sizable costs of the corporate resolution. If the projections over the last several quarters hold, credit unions should not have to pay further assessments during the Corporate Stabilization Fund’s remaining six years.”

Congress created the Corporate Stabilization Fund in May 2009 to ease the immediate impact on the credit union system of the cost of resolving the corporate credit union crisis. By law, the fund is scheduled to expire in June 2021.

While the Corporate Stabilization Fund continues to have a positive net position, no funds are available to provide federally insured credit unions with an immediate rebate. NCUA must first repay outstanding borrowings from the U.S. Treasury.

Outstanding borrowings by the Corporate Stabilization Fund from the U.S. Treasury remained at \$2.6 billion at the end of the second quarter. In August after the quarter closed, however, NCUA

used available cash to pay \$300 million towards that borrowing. The payment reduced the balance of outstanding borrowings to \$2.3 billion.

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 NCUA Guaranteed Notes Program.

Charlotte Metro Expansion Approved as Matz Calls for Streamlining Community Charter Application Process

Nearly 2.4 million people living in seven counties in North Carolina and three in South Carolina will have a new choice for affordable financial services after the NCUA Board approved a request from Charlotte Metro Federal Credit Union to expand its community charter.

In supporting the application, Matz said she will seek a policy change to streamline the process for approving community charters. Matz said her proposed change could trim two months from the process for applications for communities with more than 1 million residents.

“Our intention has been to focus on each credit union’s ability and commitment to reach out to its entire community, particularly low-income residents and underserved areas,” Matz said. “Federal credit unions are accounting for diverse demographics and offering targeted products and services to meet the needs of these residents, so I believe it’s time to remove the NCUA Board from the approval process.”

NCUA Board approval is required for community charters to serve a population of more than 1 million. Matz proposed delegating that authority to NCUA’s Office of Consumer Protection. The delegation will require a Board vote at an upcoming open meeting.

Originally chartered in 1962, Charlotte Metro initially served Charlotte city employees. The credit union grew through a series of expansions and a merger and became a community charter in 2001. In 2008, the credit union converted to a federal charter. According to its most recent Call Report, Charlotte Metro serves 45,094 members and has assets of \$342.1 million.

The full-service credit union will now be able to serve people who live, work, worship, volunteer or attend school in Cabarrus, Gaston, Iredell, Lincoln, Mecklenburg, Rowan and Union counties in North Carolina and Chester, Lancaster and York counties in South Carolina.

Final Rule Gives Corporates More Flexibility Making CLF-Related Bridge Loans

Corporate credit unions will have greater flexibility to serve consumer credit unions under a final rule (Part 704) approved by the Board.

“This is truly a win-win,” Matz said. “It’s a win for corporate credit unions providing a valuable service to their members and a win for consumer credit unions that can get liquidity immediately, instead of waiting up to 10 days.”

Matz noted that suggestions from credit unions prompted the new rule. Every comment received by the agency supported the proposed rule without any changes. The proposed rule was adopted without amendment.

The rule will exclude Central Liquidity Facility-related bridge loans from the aggregate unsecured lending cap to one borrower that applies to corporate credit unions. Central Liquidity Facility loans are funded by borrowings from the Federal Financing Bank. An advance from the Federal Financing Bank can take up to 10 business days, creating a lag between when the Central Liquidity Facility loan is approved and when it is funded.

Under the new rule, corporate credit unions could make bridge loans for up to 10 business days to provide interim funding to Central Liquidity Facility borrowers, allowing them to receive funds expeditiously. A bridge loan would be repaid to a corporate credit union when the Central Liquidity Facility funds the member credit union's advance.

In recognition of the low risk and to ensure a corporate credit union is not unduly prevented from lending to very large consumer credit unions, the rule excludes those loans from the calculation of "net assets" and "net risk weighted assets" for determining minimum capital requirements.

The final rule, available online [here](#), will become effective 30 days after publication in the *Federal Register*.

Federal Law Requires Adjusting Maximum Civil Monetary Penalties for Inflation

The NCUA Board approved a final rule (Part 747) amending its regulations to adjust the maximum amount of civil monetary penalties within its jurisdiction for inflation.

"I view civil monetary penalties as a last resort, and NCUA has never charged the maximum penalty," Matz said. "Since we announced the policy of assessing civil monetary penalties for late Call Report filers, the number of late filers has dropped from nearly 1,100 to 25. So, the penalties are working as intended, as a deterrent. It's also important to know the proceeds from these penalties go to the U.S. Treasury, not NCUA."

Under federal law, every federal agency periodically must adjust civil monetary penalties to account for the rate of inflation. Because the process is mandatory and the law gives agencies no discretion in calculating the adjustments, the Administrative Procedure Act allows NCUA to issue a final rule without public comment.

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

NCUA tweets all open Board meetings live. Follow [@TheNCUA](#) on Twitter, and access Board Action Memorandums and NCUA rule changes at www.ncua.gov. NCUA also live streams, archives and posts [videos of open Board meetings](#) online.