

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: January 2, 2013

FROM: Office of General Counsel

SUBJ: Definition of "Troubled Condition"
12 C.F.R. §701.14

ACTION REQUESTED: That the Board issue the attached final rule amending the definition of a credit union in "troubled condition" to permit either NCUA or a state supervisory authority (SSA) to declare a federally insured, state-chartered credit union (FISCU) to be in "troubled condition."

DATE ACTION REQUESTED: January 10, 2012

BUDGET IMPACT, IF ANY: None.

RESPONSIBLE STAFF MEMBER: Steven W. Wideman, Staff Attorney, Office of General Counsel.

SUMMARY: Generally, under the current definition of "troubled condition," only an SSA may declare a FISCU to be in "troubled condition." The final rule amends the definition to permit *either* NCUA or an SSA to declare a FISCU to be in "troubled condition." However, NCUA will not declare a FISCU to be in "troubled condition" without first making an on-site contact at the credit union. The amended definition utilizes the combined resources of NCUA and the SSAs to identify a FISCU in "troubled condition," thus enhancing NCUA's ability to protect the Share Insurance Fund from losses.

RECOMMENDED ACTION: Recommend the Board issue the final rule.

ATTACHMENT: Final rule.