

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: July 17, 2017

FROM: Office of General Counsel

SUBJ: Proposed Rule – Emergency Mergers

ACTION REQUESTED: Board approval to issue the attached proposed rule, which would amend NCUA’s definition of “in danger of insolvency” for emergency merger purposes.

DATE ACTION REQUESTED: July 20, 2017.

OTHER OFFICES CONSULTED: Office of the Chief Economist; Office of Examination and Insurance.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Thomas I. Zells, Staff Attorney, Office of General Counsel.

SUMMARY: The proposed rule will amend the definition of “in danger of insolvency” in NCUA’s chartering and field of membership manual for emergency merger purposes. The current definition requires credit unions to fall into at least one of three net worth categories over a period of time in order to be found to be in danger of insolvency. For two of the three categories, the proposed rule will lengthen by six months the forecast horizons, the time period in which NCUA projects a credit union’s net worth will decline to the point that it falls into one of the categories. This will extend the time period in which a credit union’s net worth is projected to either render it insolvent or drop below two percent from 24 to 30 months and from 12 to 18 months, respectively. Additionally, the proposal will add a fourth category to the three existing net worth categories to include credit unions that have been granted or received assistance under section 208 of the Federal Credit Union Act in the 15 months prior to the Region’s determination that the credit union is in danger of insolvency.

RECOMMENDED ACTION: Board approval of the attached proposed rule.

ATTACHMENT: Proposed rule.