



1974
**Annual Report
of the
Administrator**

National Credit Union
Administration
Washington, D.C.
20456

HISTORICAL SKETCH

A credit union is a cooperative nonprofit organization of individuals with a common bond of occupation, association, or residence. Credit unions may be incorporated in the United States under a Federal law or one of the 45 State laws.

Individuals in the field of membership of a Federal credit union may become members and participate in all benefits by subscribing to a share in the credit union, par value of which is \$5. The objectives of a credit union are to promote thrift among its members and to provide them with a source of credit for provident purposes at reasonable rates of interest.

Credit unions are managed by a board of directors and committees made up of members of the credit union. No director, committee member, or other officer, except the treasurer of a Federal credit union, may be compensated. After expenses and legal reserve requirements are met, most of the earnings of a credit union are returned to the members in the form of dividends on shareholdings.

* * * * *

Credit unions originated in Germany in the middle of the 19th century. Their principal early objective was to combat usury which was further depressing the economic lot of the poor. The early credit union philosophy was closely connected with moral and humanitarian goals and credit unions were frequently organized in, and supported by, churches.

Credit unions operated in many countries of Europe by the turn of the century. The first credit union in the United States was organized in New Hampshire in 1908. Credit unions were chartered only under State laws until the Federal Credit Union Act was passed in 1934. At that time, there were 2,028 State-chartered credit unions in operation in 38 States and the District of Columbia.

Growth in U.S. credit unions accelerated rapidly after the end of World War II. During the decade of the 1950's, the number of operating credit unions in the U.S. doubled. Membership increased by 2½ times and assets by six-fold. In the 1960's growth continued to be vigorous, with membership nearly doubling to 21,629,000, and assets more than tripling to almost \$16 billion. By the end of 1974, almost 23,000 credit unions with nearly 29½ million members and total resources of more than \$31.8 billion, were in operation in the United States. (All 1974 data are preliminary.)

**1974
Annual Report
of the
Administrator**

National Credit Union
Administration
Washington, D.C.
20456



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D. C. 20456

Office of the Administrator

March 14, 1975

Dear Mr. President:

Pursuant to Section 102 of the Federal Credit Union Act (12 USC, 1752, a.(e)), I am pleased to submit the *Annual Report of the Administrator*, National Credit Union Administration for the calendar year 1974.

Respectfully,


Administrator

The President
The White House
Washington, D.C.

Enclosure

CONTENTS

	Page
Letter of Transmittal	II
Content	III
Office of the Administrator	1
Program Accomplishments	1
Supervision and Examination Program	2
Chartering and Liquidation Activities	2
Insurance Program	4
Legal Developments	7
Office of Inspection and Audit	9
Planning Activities	10
Research	10
Public Information	11
Electronic Data Processing	12
Administrative and Financial Developments	13
Administration	13
Financial Developments	15
National Credit Union Board	15

OFFICE OF THE ADMINISTRATOR

Despite a year characterized by inflation and adverse economic conditions, Federal credit unions expanded their operations in all major activities in 1974. During the year, the number of operating credit unions increased by 62, the first increase in the last four years. Total assets, apparently again influenced by Federal share insurance, expanded by a record \$2.1 billion. In the four full years of operation since Federal share insurance legislation was passed, Federal credit union assets have expanded by more than \$7.8 billion. As of December 31, 1974, total resources of Federal credit unions amounted to \$16.7 billion, almost 90% greater than the amount at yearend 1970.

Although the growth rate in consumer savings dropped off substantially in 1974, credit union savings were not appreciably affected for the year as a whole. Some disintermediation resulting in a slowing in the rate of growth in credit union savings was evident after the June and September dividend periods, but growth picked up again in the last two months of the year. During 1974, members' savings increased by almost \$1.9 billion, compared to about \$1.7 billion in the previous year.

In contrast, loan demand at Federal credit unions was relatively slow during the first six months of 1974 but recovered substantially in the second half of the year. As a result, loans outstanding increased by more than \$1.7 billion during the year, slightly more than in 1973. With members' shares increasing by about \$100 million more than loans outstanding for the year, Federal credit unions were slightly more liquid at yearend 1974.

Membership in Federal credit unions increased by 1.2 million (8.2%) in 1974, the second consecutive year in which the gain was more than a million. As of December 31, 1974, 12,750 operating Federal credit unions were serving almost 15.9 million members.

Program Accomplishments

Major recurring program activity centered around the conduct of the examination and supervision program for Federal credit unions, administration of FCU chartering and liquidation activities, and the conduct of the Federal share insurance program.

Supervision and Examination Program

As of December 31, 1974, NCUA examiners completed supervisory examinations of 100% of all operating Federal credit unions. During the year, 6 special examinations were made at Federal credit unions that had unusual problems. Under the authority of Title I of the Federal Credit Union Act, the Administrator took administrative action against 28 Federal credit unions that had operational, managerial or financial problems in 1974. Such actions resulted in 15 credit unions entering voluntary or involuntary liquidation. Three actions were subsequently withdrawn, and ten were outstanding at the end of the year.

In order to evaluate the effectiveness of various examination procedures, an elapsed time summary was conducted in 1974. The purpose of this study was to determine the effect of changes in examination procedures, examine the length of time expended in performing specific examination tasks in relation to providing supervisory responsibility, and to update the information base for managerial purposes.

Revised Accounting Principles and Standards.—In 1973, NCUA developed a statement of accounting principles and standards which was to be implemented by all Federal credit unions in January of 1975. To this end, NCUA distributed the *Statement of Accounting Principles and Standards for Federal Credit Unions* early in 1974. Following this, NCUA conducted various training sessions throughout the country in order to prepare credit union officials for implementing these changes. These new accounting concepts will result in more meaningful financial disclosures. In addition, NCUA published the *Accounting Manual for Federal Credit Unions* and the *Accounting Manual for Federal Credit Unions—Condensed Version* (a procedural guide intended primarily for the use of smaller credit unions) to be effective January 1, 1975. These were accompanied by the *Accounting Records Conversion Instructional Guide for Federal Credit Unions* which assisted Federal credit unions to convert their records to the new accounting system. Also, these publications were supplemented by the *Interim Dividend Guidelines for Federal Credit Unions*. This publication provided information and guidance to credit union officials regarding the increased latitude in payment of dividends afforded by the 1974 amendment to Section 117 of the Federal Credit Union Act.

Chartering and Liquidation Activities

During 1974, the number of Federal credit union charters issued was the largest since 1971, and charter cancellations were the smallest since 1969 (Tables 1 & 6). Three hundred sixty-seven new charters were issued to Federal credit unions and 369 charters were canceled in 1974, for a net decline of 2 outstanding charters. The potential membership of the newly-chartered credit unions was 761,000.

Table 1.—Status of Federal Credit Union Charters, December 31, 1974

Activity	Number of Charters
As of December 31, 1973:	
Total charters issued since June 26, 1934.....	21,499
Total charters canceled since 1934.....	-8,525
Total charters outstanding.....	12,974
During 1974:	
Charters issued.....	367
Charters canceled.....	-369
Net change.....	-2
As of December 31, 1974*	
Total charters outstanding.....	12,972
Held by inactive credit unions**.....	-222
Held by operating credit unions.....	12,750

* Preliminary.

** Consists of Federal credit unions in the process of liquidation and those chartered but not yet operating.

As in recent years, the majority (265) of new charters were issued to occupational groups, while 91 and 11 were granted to associational and residential groups, respectively. The number of operating Federal credit unions increased during the year in each of the major type of membership categories with the associational and residential groups showing the largest relative gains (Table 2).

Chartering by State also showed increased activity in 1974. The number of new charters issued in 23 States and Puerto Rico exceeded the number issued in the previous year. Three States—California, Pennsylvania, and New York—have been especially active in recent years. Since 1970 the annual average number of new Federal charters issued in these States was 200. (See map on inside back cover for the number of operating Federal credit unions by State and NCUA Region as of December 31, 1974.)

Under the Administration's Organizer's Recognition Program, the Administrator again recognized the efforts of volunteers, trade association representatives, and NCUA staff members in the organization of new Federal credit unions. During the year 98 Certificates of Appreciation for first charters, 16 Certificates of Recognition for fifth charters, 13 Certificates of Recognition for tenth charters, and four

Table 2.—Change in Operating Federal Credit Unions by Type of Membership 1974

Type of membership	Number in operation		Change during 1974	
	1973	1974	Number	As a percent of number operating 1973
Total.....	12,688	12,750	62	0.5
Associational.....	1,837	1,860	23	1.2
Occupational.....	10,368	10,394	26	.3
Residential.....	483	496	13	2.6

Special Citations for 25th charters were issued under the provisions of the program.

Charter Amendments.—In 1974 the Administrator approved 2,459 amendments to Federal credit union charters and bylaws, an increase of 241 over 1973. Of the total amendments, 681 were bylaw amendments. The charter amendments included 1,448 involving field of membership expansion, making credit union service available to an additional 1,546,896 persons.

Mergers.—Seventy-six mergers were completed in 1974. Twenty-seven involved only Federal credit unions, 22 involved only insured State-chartered credit unions, and 27 involved both Federal and State-chartered credit unions (17 were continuing State credit unions; 10 were continuing Federal credit unions).

Conversions.—Thirteen conversions were completed in 1974. Eight were conversions of Federal credit unions to State charters, while 5 were conversions of State-chartered credit unions to Federal charters.

Liquidations.—During 1974, 243 Federal credit unions and 5 federally-insured State-chartered credit unions entered liquidation. Of the Federal credit unions that entered liquidation, 130 were voluntary on the part of the credit union management, while 112 were placed into involuntary liquidation by the Administrator of the National Credit Union Administration in accordance with Section 207 of the Federal Credit Union Act because of insolvency, and one was placed into involuntary liquidation by the Administrator for other reasons. Shareholdings of the members of the 112 insolvent credit unions were paid by the National Credit Union Share Insurance Fund promptly after commencement of liquidation.

Also during 1974, the National Credit Union Share Insurance Fund commenced payments to shareholders of 5 federally-insured State credit unions that had been declared insolvent by their State supervisory agencies. Total member shareholdings of the 5 credit unions amounted to \$162,212. In all five cases, the Administrator was appointed liquidating agent by the respective State supervisor.

During 1974, NCUA guaranteed the purchase of the outstanding loans of 13 federally-insured credit unions to expedite the action of voluntary liquidation. The initial contingent liability to the share insurance fund amounted to \$1,000,256. Most of these loans were purchased by other credit unions or credit union trade associations under authority granted by Section 207 of Title II of the Federal Credit Union Act.

Insurance Program

Administration of the Federal Share Insurance Program consisted principally of efforts to complete the program to permanently insure Federal credit unions that were granted temporary (2 year) share

insurance under Public Law 92-221, processing the continuing flow of State credit union applications for Federal share insurance, and determining the continued insurability of insured State credit unions.

The Two-Year Insurance Program.—A major task of the National Credit Union Administration, administering the temporary share insurance program, began in 1972 and was completed in 1974. This program involved insuring 1,132 credit unions under the two-year provisions because they could not initially qualify under the regular share insurance program. Through the efforts of credit union officials, staff of the National Credit Union Administration and certain segments of the credit union industry, most of the credit unions (901) insured under the temporary share insurance program were able to qualify for and obtain regular share insurance. The remaining credit unions (218) either liquidated or converted to a State credit union charter or merged with another credit union (Table 3).

Table 3.—Status of Federal Credit Unions Insured under the Temporary Insurance Program

Item	Number of Federal credit unions
Temporary insurance certificates issued Jan. 3, 1972.....	1,078
Certificates issued to credit unions in liquidation on Jan. 3, 1972, which subsequently resumed operations.....	54
Total number of temporary insurance certificates issued	1,132
Total reductions in outstanding temporary insurance certificates, Jan. 3, 1972-Dec. 31, 1974.....	<u>1,132</u>
Certificates withdrawn from credit unions in liquidation on Jan. 3, 1972	13
Federal credit unions that qualified for regular insurance.....	901
Federal credit unions that entered liquidation.....	<u>218</u>
Reason for liquidation:	
Loss or reduction of field of membership	22
Poor financial condition and lack of growth	127
Inability to obtain officials and lack of interest	45
Mergers, conversions, and other	24
Temporary insurance certificates outstanding Dec. 31, 1974.....	—0—
Percent of Temporary insurance program completed	100

State-Chartered Credit Union Applications for Federal Share Insurance.—In 1974, 761 State credit unions qualified for Federal share insurance. In the same period, 20 certificates of insurance for State credit unions were canceled for various reasons. At the yearend, 2,400 State credit unions or 24% of the total number of operating State credit unions were insured by the National Credit Union Share Insurance Fund (Table 4). This represents a 45% increase over the number insured at yearend 1973.

The estimated total amount of savings held by federally-insured State credit unions amounted to about \$5.3 billion at yearend 1974, or approximately 40% of the savings of all State credit unions. At the end of 1973, about 31% of total savings of State credit unions were federally-insured.

Michigan, with 547, had the greatest number of State-chartered credit unions holding certificates of insurance from the National Credit

Table 4.—Number of Federally-Insured State-Chartered Credit Unions by Region and State, December 31, 1974

Standard Federal Administrative Region and State ¹	Federally-insured State credit unions	
	Number	As percent of total State credit unions ²
Total -----	2,400	24
Region I (Boston) -----	126	16
Connecticut ³ -----	83	47
Maine -----	5	17
Massachusetts ³ -----	14	4
New Hampshire -----	12	30
Rhode Island ³ -----	6	7
Vermont -----	6	8
Region II (New York) -----	28	6
New Jersey -----	8	14
New York -----	20	19
Puerto Rico -----	—	—
Region III (Philadelphia) -----	77	22
Maryland ³ -----	6	16
Pennsylvania -----	59	40
Virginia ³ -----	10	8
West Virginia -----	2	7
Region IV (Atlanta) -----	364	25
Alabama -----	49	39
Florida ³ -----	49	17
Georgia ³ -----	51	31
Kentucky -----	75	53
Mississippi -----	17	28
North Carolina ³ -----	39	18
South Carolina -----	47	100
Tennessee ³ -----	36	9
Region V (Chicago) -----	1,249	34
Illinois -----	391	33
Indiana -----	30	26
Michigan -----	546	80
Minnesota -----	82	28
Ohio ³ -----	199	30
Wisconsin ^{3 4} -----	—	—
Region VI (Dallas-Ft. Worth) -----	207	26
Arkansas -----	14	20
Louisiana -----	38	39
New Mexico ³ -----	18	29
Oklahoma -----	24	38
Texas -----	113	22
Region VII (Kansas City) -----	131	12
Iowa -----	45	11
Kansas -----	30	14
Missouri -----	45	11
Nebraska -----	11	15
Region VIII (Denver) -----	58	12
Colorado -----	13	8
Montana -----	5	21
North Dakota -----	25	29
Utah ³ -----	15	6
Region IX (San Francisco) -----	130	21
Arizona -----	16	24
California -----	114	20
Hawaii -----	—	—
Region X (Seattle) -----	32	10
Idaho -----	8	8
Oregon -----	7	18
Washington -----	17	9

¹ In accordance with requirements of the Office of Management and Budget, States are grouped according to the Ten Standard Federal Administrative Regions. Five States—Alaska, Delaware, Nevada, South Dakota, Wyoming—the District of Columbia, Canal Zone, Guam, and the Virgin Islands have no State or local credit union law.

² Percentages are based on data for year ended December 31, 1974, except for Arkansas, Idaho, Indiana, Maryland, Nebraska, New Jersey, New York, North Dakota, Pennsylvania, Rhode Island and Vermont as of December 31, 1973.

³ Represents States that have State-administered share insurance programs for State-chartered credit unions except Ohio, Rhode Island, and Utah, which have private share insurance corporations.

⁴ All State credit unions insured under State-administered share insurance program.

Union Administration. Illinois was second with 341, followed by Ohio (199), California (114) and Texas (113). The laws of four States—Kentucky, Louisiana, Michigan, and South Carolina—require all member accounts of credit unions to be insured by the National Credit Union Administration within specified time frames. As of December 31, 1974, all State credit unions in South Carolina were federally-insured.

Determination of Continued Insurability.—During 1974, a program for determining the continued insurability of insured State credit unions was initiated with the cooperation of the various State supervisory authorities. All but five of the State regulatory agencies are participating in the program. Excellent working relations have been developed between the Administrator and the State supervisory offices to facilitate the receipt of information to determine the insurability status of the insured credit unions in the respective States. This program provides the necessary information to determine that credit unions meet insurance criteria and comply with National Credit Union Administration regulations. The program has also cemented working relationships and created a communications vehicle between State offices and the National Credit Union Administration.

Legal Developments

Legislation.—During 1974 the following Acts affecting Federal credit unions were signed into law by the President.

Housing and Community Act of 1974 (P.L. 93-383).—Part C of Title VII of this Act reduces the impediments to borrowing by an officer from his credit union, allows demand deposit accounts in banks located on military installations in foreign countries, makes a uniform entrance fee discretionary, provides for an investment committee, authorizes more than one membership officer, and provides authorization for dividends to be paid at intervals chosen by the board of directors. It also permits a federally-insured State credit union to convert to a non-insured status upon an affirmative vote of a majority of the members voting on the question of conversion (20% of the members must vote). Further, it authorizes the Administrator to assist in the voluntary liquidation of a solvent credit union by making loans to, purchasing assets of, or establishing accounts therein. In addition, the Act amends the Flood Insurance Act to require that the Federal lending institutions notify or assure notification of the purchaser or leasee that the real estate or mobile home securing the loan is located in a designated flood hazard area.

Depository Institutions Insurance Act (P.L. 93-495).—This legislation increased deposit insurance from \$20,000 to \$40,000, authorized Federal credit unions to maintain public unit accounts and provided \$100,000 insurance coverage for such accounts. The Act also includes amendments to the Truth-in-Lending Act to require a full statement of closing costs, provides that creditors will be civilly liable for failure

to comply with the Truth-in-Lending Act, and provides for punishment for fraudulent use of credit cards. The legislation also amends the Equal Credit Opportunity Act to prohibit discrimination by a creditor because of sex or marital status. Further, the Act establishes a National Commission on Electronic Fund Transfers.

The Employee Retirement Income Security Act of 1974 (P.L. 93-406).—

Also known as the Pension Reform Act of 1974, this legislation provides for added security and protection for retirement income by establishing, among other things, minimum investing and funding standards for providing for a planned termination of insurance. Of particular importance to federally-insured credit unions is the recognition given such institutions as trustees or custodians of Keogh plans and individual retirement accounts (IRA's). With respect to Keogh plans, the new law increases the deductible contribution limit to 15% of earned income up to a maximum of \$7,500. The newly-created IRA's permit taxpayers not covered by employer, Keogh or annuity plans to contribute and deduct 15% of earned income or compensation up to \$1,500. Upon the promulgation of NCUA regulations, federally-insured credit unions will be able to enter the retirement plan market and offer trustee services to interested plan participants.

Regulations.—The following changes to the Rules and Regulations were made in 1974.

Risk Asset Category.—Effective December 31, 1974, Part 700 was amended by adding paragraph 700.1(j)(13) which provides for the exclusion of share-secured loans from the risk asset category.

Credit Union Service Centers.—On December 17, 1974, a revision to 12 C.F.R. 701 became effective. Section 701.26 and 701.27 were redesignated and a new section 701.26 was added. The purpose of the amendment was to promulgate regulations governing the establishment and operation of a credit union service center, i.e., where one or more Federal credit unions contract with a vendor to provide physical facilities, centralized management, accounting services, and other routine credit union services.

Division of Assets, Liabilities and Capital.—Effective January 28, 1974, a new Part 709 was added to the Rules and Regulations. This provision prescribes procedures that will enable members of an FCU who are a separately identifiable group to undertake an equitable division of their assets, liabilities and capital and charter a new FCU.

Operational Systems (Temporary Provisions).—Effective August 19, 1974, Part 721 was amended by adding Section 721.3 which sets forth temporary provisions for pilot programs relating to Electronic Funds Transfer and other operational systems and requires submission of such plans to NCUA for evaluation and approval.

Flood Insurance.—Effective October 18, 1974, Part 701.32 was redesignated as new Part 760 and a new Section 760.2(e) was added which requires FCU's and federally-insured State credit unions to

notify or assure notification in writing to a member borrower, when real estate or a mobile home securing a loan is located in a designated flood hazard area.

Litigation.—The following lawsuits involving the Administration were pending at the end of 1974:

UAW Local 160 v. Nickerson.—This suit alleges that the Administrator disallowed a proposed amendment to the Research FCU's charter which would have allowed hourly employees to become members. The disapproval was made because credit union service was available. The suit asked that this approval be declared invalid. The Department of Justice has been provided relevant documents, facts, a legal memorandum, and a proposed answer to the complaint.

National Alliance of Postal and Federal Employees v. Herman Nickerson, Jr.—The suit alleges that the Administrator acted in an arbitrary and capricious manner in rejecting plaintiff's request for a nationwide Federal credit union charter. A motion to dismiss is presently pending.

Rivens, et. al. v. Administrator, National Credit Union Administration.—The suit alleges that NCUA did not fill its statutory duty to provide reasonable assistance to bring the credit union up to a level whereby share insurance could be obtained and maintained and that NCUA, with others, moved to defeat the credit union by separating them from their organizers, promoters and each other. The plaintiff also alleges that NCUA undermined the confidence of the public and the credit union officials and the ability of minority and low-income persons to construct viable credit unions. A motion to dismiss has been filed.

Office of Inspection and Audit

The Administrator established the Office of Inspection and Audit in October 1973. The Office has been in operation for one full year.

The mission of the Office of Inspection and Audit is to determine that NCUA policies and procedures are being effectively and uniformly carried out in the Regional Offices and in the field. This is determined by periodic inspections of the Regional Offices and their field staff, which comprises more than 80% of NCUA's personnel. It is these employees who represent the Administration in dealings with the credit union community and the public.

During 1974, the Office of Inspection and Audit completed its first round of inspections. The first part of the year was devoted to inspecting the six Regional Offices, including one supervisory examiner and one district examiner from each region. During the second half of the year, two additional supervisory examiners and two district examiners were examined from each region, including the Oahu, Hawaii, sub-office of Region VI (San Francisco). The Inspection and Audit Team, headed by the Assistant Administrator for Inspection and Audit, was comprised of Washington and Regional Office staff.

Planning Activities

Important planning activities initiated in the Administration during 1974 included the revision and updating of NCUA's merger policies and procedures, revision and updating of conversion policies and procedures, both of which will be published during early 1975. In April 1974, a program to distribute NCUA materials to selected college and university libraries was implemented. This program, well received at the outset by the original list of 223 institutions, had been expanded to 252 by year's end. Considerable planning was undertaken in connection with NCUA's participation in the American Revolution Bicentennial (ARB). These plans will be initiated early in 1975 to assure meaningful participation by the Administration and Federal credit unions throughout the ARB Celebration time frame.

During November and December 1974, the original NCUA Long-Range Operating Plan, the base plan published on December 10, 1973, was reviewed in the light of new and changing requirements of this Administration and the credit union industry. The plan has been materially modified and will be republished during March 1975.

Research

Research activity of the National Credit Union Administration involved projects to assist the Administrator in carrying out his duties under the Federal Credit Union Act, to assist credit union officials in operating their credit union and understanding credit and financial developments, and informing the public and other government agencies concerning credit union developments.

The Office of Systems Planning and Research is responsible for a number of regular statistical processing projects and conducts various single-time projects and studies as needs develop.

Chief among the regular statistical processing projects is the annual processing of more than 15,000 financial and statistical reports from federally-insured credit unions. This task involves substantial staff time and computer resources during the first 6 months of each calendar year. Statistical data developed by this project are subsequently published in the *Annual Report of the National Credit Union Administration*. A special annual report on the activities of State-chartered credit unions is prepared each year with the assistance and cooperation of State credit union supervisory authorities. Two monthly statistical programs are administered; one to develop selected balance sheet and other data for State and Federal credit unions, and the other to provide an indication of the types of loans being made by Federal credit unions. Both of these programs involve a sampling of credit unions.

In addition to the regular statistical programs, some special single-time surveys and special studies were undertaken in 1974. They consist of the following:

- o—The introduction of new accounting principles and standards by NCUA which, among other things, calls for the establishment of a valuation reserve as a contra-account against loans to members from which losses on loans will be accounted for through the regular income and expense process, has prompted a study of the adequacy of Federal credit union reserves.

The study, undertaken as a joint project of NCUA and major trade associations—Credit Union National Association and National Association of Federal Credit Unions—was designed to evaluate reserve levels adequate to cover risks of losses on loans, probable losses on liquidated assets as a result of voluntary liquidation, and the risk associated with widespread economic disruptions at various levels of probability. Considerable progress was made on this study in 1974 with completion of the project scheduled for early 1975.

- o—Also undertaken in 1974, with completion scheduled in 1975, was the study on the “Common Bond” concept. The study is intended to clarify the concept of the common bond and its relationship to credit unionism by examining changes in its application, if any, over time and the relative effectiveness of these changes with emphasis on those which may have occurred in the recent past; to identify problems concerning the interpretation of common bond and its relationship to current and future trends in social, political, economic, and financial structure of the United States.
- o—A study on Voluntarism was also started in 1974 with completion scheduled in 1975. The study is intended to determine the current and future effectiveness of volunteers in the credit union system. Such areas, as recruitment, turnover, difficulties arising from size and complexity of operations, more sophisticated financial developments, or increased regulatory requirements, will be explored.

In addition, a research report, entitled *Credit Unions and the Money “Crunch”* was distributed early in 1974. A second research report, *Credit Union Liquidity and Share Insurance: A New Dimension*, was published in June 1974.

Public Information

Increased interest in credit unions by the national media was very noticeable in 1974. This interest was evident in the number of requests for information received from the national media, the number of credit union-oriented articles appearing in publications with nationwide circulation, and the number of columns devoted to credit unions by syndicated columnists.

Efforts were continued to improve the quality and readability of articles appearing in the NCUA *Quarterly*. This magazine is designed to inform and educate credit union officials and other interested parties

on credit union matters. It has a circulation of approximately 21,000, which includes some 250 college and university libraries.

The Public Information Office continues to publish a weekly information *Bulletin* containing late news developments to all NCUA field employees, and the *NCUA Report*, a monthly employee publication. Over 200 news releases announcing the chartering of new Federal credit unions were prepared and distributed to news outlets in the area of each credit union concerned. Releases of general interest were distributed to a wide range of publications as the situation warranted.

Publicity was given to nearly 1,200 credit union recipients of the Thrift Honor Award. This Award recognizes those credit unions that have an active thrift education and counseling program and show a large monthly increase in total savings.

Assistance was provided in the planning for NCUA's participation in the American Revolution Bicentennial Celebration. Publicity promoting the program will commence in March 1975.

Periodic reports of NCUA activities were prepared for distribution to selected Congressional and Federal government officials. The "Administrator's Monthly Column," in which the Administrator discusses subjects of current interest, was distributed to State league officials and trade association journals.

A revision of the *Public Information Manual* was commenced in the latter part of 1974. The revised manual is expected to be completed in May 1975 and will include more detailed guidance for field activities.

Electronic Data Processing

The Data Management Division completed a program to automate NCUA's mailing list, thus providing the capability to produce mailing labels for as many as 600 addresses to which various publications were mailed. A computer program for identification and control of NCUA items of equipment and property was developed and implemented in 1974.

In addition, NCUA's computer facility was made more flexible and responsive to the needs of management by the introduction of the Generalized Report Module Program (GRM). This program is a highly versatile computer application which can be used to extract and print out in prescribed formats any information that is contained in the Master Credit Union File. To assist other offices in the compilation and analysis of statistical data, a powerful computer software system called "Data-Text" was implemented in 1974. This system has the ability to manipulate large volumes of data and to perform various complicated statistical techniques such as frequency distributions, correlations and regressions, and statistical significance tests.

The Division of Data Management also provided technical assistance to the credit union supervisory staff of the State of Missouri in con-

nection with development of an Early Warning System similar to NCUA's for the 480 State-chartered credit unions. This system is designed to detect conditions in the credit unions which may indicate developing operating problems.

ADMINISTRATIVE AND FINANCIAL DEVELOPMENTS

Administration

During 1974, NCUA conducted a series of joint meetings, conferences, and workshops for State credit union league personnel in response to widespread interest in NCUA's operations and the methodology used to carry out its regulatory responsibilities. Over 250 league personnel, representing 27 State leagues and one non-affiliate, attended four conferences held in NCUA's central office training facility. In addition, over 200 league personnel representing 44 States and the District of Columbia, attended seven workshops which were held in Oregon, Nevada, Pennsylvania, Georgia, Illinois, Texas, and Hawaii.

The centralized recruitment program was refined and streamlined in order to be fully responsive to the needs of NCUA. The addition of a telepost terminal has greatly reduced the time required to obtain certificates and contact eligible prospective employees. In a continuing effort to provide entering examiners with effective initial training, the New Examiner Training was revised to include four inter-related phases covering a twenty-week period. The four phases include regional office orientation, on-the-job training (field work), classroom instruction, followup and independent study.

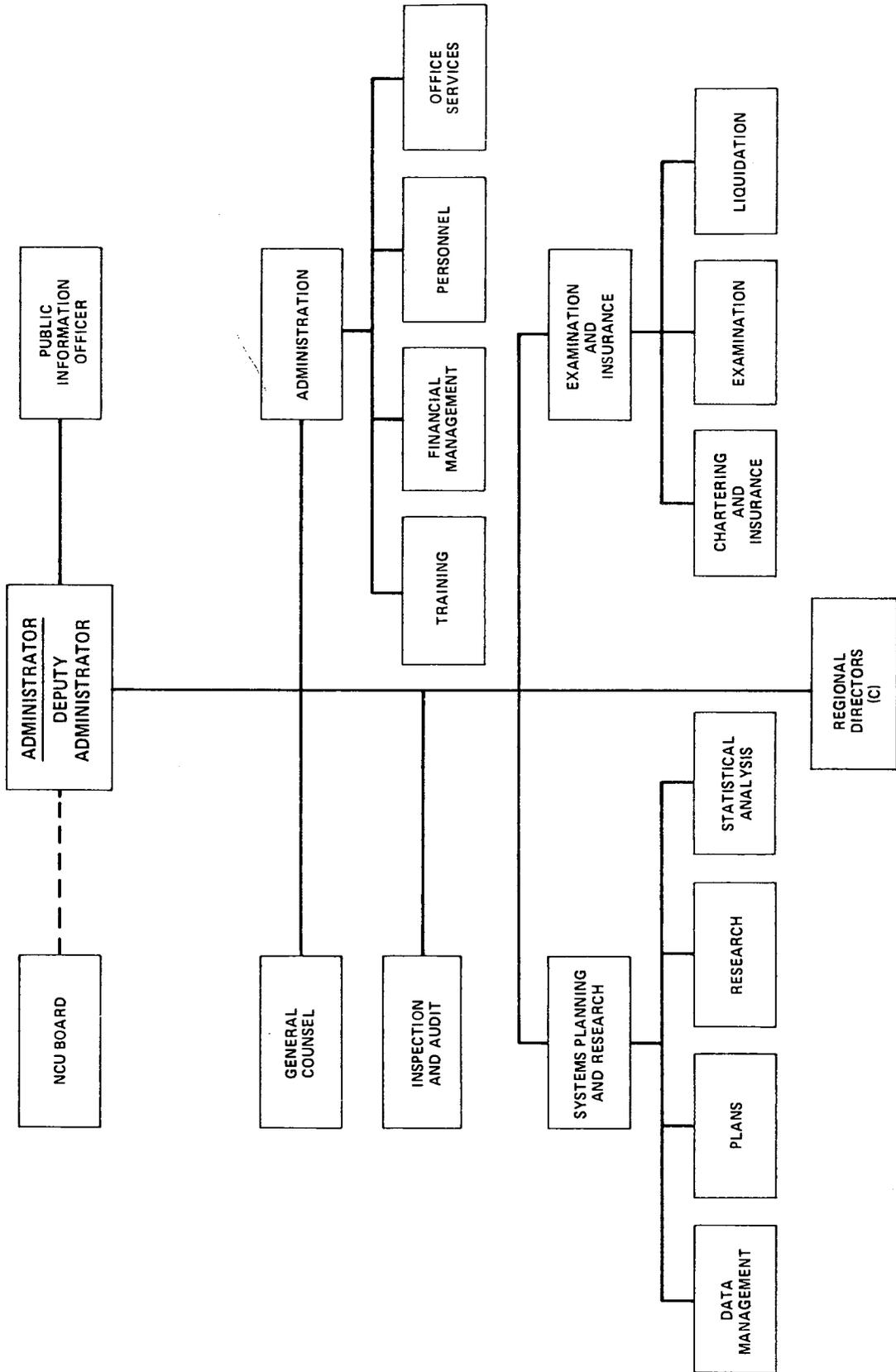
As of December 31, 1974, NCUA staff consisted of 568 employees, the majority of whom are stationed in six NCUA regional offices around the country (Table 5). The organizational chart of the NCUA is shown on the following page.

Table 5.—NCU Board Members and Employees of NCUA, December 31, 1974

Unit	Total	Central Office	Regional Office	Other Locations
National Credit Union Board* -----	7			7
Office of the Administrator -----	10	10		
Office of Administration -----	81	81		
Office of General Counsel -----	9	9		
Office of Inspection and Audit -----	2	2		
Office of Systems Planning and Research -----	19	19		
Office of Examination and Insurance -----	23	23		
Regional Offices:				
Region I (Boston, Mass.) -----	81		20	61
Region II (Harrisburg, Pa.) -----	69		19	50
Region III (Atlanta, Ga.) -----	56		17	39
Region IV (Toledo, Ohio) -----	71		19	52
Region V (Austin, Tex.) -----	71		20	51
Region VI (San Francisco, Calif.) -----	76		20	56
Total	575	144	115	316

* The Board consists of individuals with tested credit union experience who have been appointed by the President to provide advice and counsel to the Administrator.

NATIONAL CREDIT UNION ADMINISTRATION



Intergovernmental Personnel Act of 1970.—The Administration completed its second year of participation in intergovernmental conferences and IPA (staff exchange) mobility assignments with State credit union supervisory personnel in 1974. During the year, three intergovernmental conferences and 14 IPA mobility assignments were held to provide opportunities for the sharing of ideas, information, and procedures among State personnel and staff of NCUA. By so doing, closer coordination and understanding can evolve regarding the respective responsibilities of the State supervisory agencies and NCUA.

Administrators' Letter.—As a result of interest expressed by State supervisors to receive current technical and legal information on a timely basis, the Administration introduced a new publication entitled the "Administrators' Letter". This is a four page newsletter distributed bi-monthly to all State Managing Directors, League Presidents, and State Credit Union Supervisors.

Financial Developments

The National Credit Union Administration does not receive any appropriations. Its operations are financed solely by funds received from Federal credit unions for services performed and from the National Credit Union Share Insurance Fund (NCUSIF) for services related to the share insurance program. Fees from examinations of Federal credit unions in 1974 amounted to \$7,869,958. Supervision fee income totaled \$2,100,867 and charter fees amounted to \$8,705. Supervision fee income reflects a 25% reduction announced to the Federal credit unions. Continuing the policy of reducing supervision fees, the fees payable in January 1975 were reduced by 35%. Expenditures for calendar year 1974 were \$9,988,616, of which 86% was for salaries, benefits, and travel costs mainly for examiner staff.

Insurance premiums received from federally-insured credit unions amounted to \$14,043,720, net of rebates paid to liquidating insured credit unions. The major portion of the NCUSIF (\$37,181,937) was invested in U.S. Government securities. Income from these investments amounted to \$2,800,522. Administrative expenses for the year amounted to \$2,723,722. In addition, net payouts to credit unions to prevent loss in liquidation amounted to \$3,893,348. During 1974, \$2,295,310 represented assets restored to the fund.

NATIONAL CREDIT UNION BOARD

The Chairman, National Credit Union Board, has provided the following report on the activities of the Board during calendar year 1974.

"During calendar year 1974, in carrying out its responsibilities under the law of providing advice, counsel, and guidance to the Administrator, National Credit Union Administration, the Board met in 4 formal sessions, one each quarter. Pursuant to the provisions of the Federal Advisory Committee Act, Public Law 92-463, all meetings have

been open to the public, the Agenda has been published in the Federal Register 30 days prior to each meeting, and the meetings have been conducted in accordance with the Act.

Verbatim minutes have been taken and transcribed for each meeting and they are available for purchase and/or viewing by the public. Accordingly, for the purpose of this Report, it is not considered feasible to discuss or mention all of the topics addressed by the Board during the past year, primarily because of their limited scope of interest. In this Report, therefore, matters with a broader spectrum of interest will be reported.

CURRENT LEGISLATIVE MATTERS

—●—*FIA 73, H.R. 12421 and H.R. 12200.*—Overall the Board was of the consensus that FIA 73 did not give credit unions a “fair shake” and that revision was needed and recommended. Set forth below is a summary of the Board’s position on specific legislative issues contained in these three legislative instruments.

- ✓ OPPOSED removal of interest rate ceilings on deposits (Reg Q).
- ✓ OPPOSED permitting FCU’s to purchase conditional sales contracts and similar debt instruments of their members.
- ✓ SUPPORTED Central Discount Fund but with more expanded powers viz those contained in FIA 73.
- ✓ SUPPORTED simplifying conversion of federally-insured State credit unions to non-federally insured status.
- ✓ SUPPORTED permitting share insurance fund to assist in voluntary liquidation of federally-insured credit unions.
- ✓ SUPPORTED authorizing defense CU’s to maintain demand deposit accounts in foreign U.S. correspondent banks.
- ✓ SUPPORTED extending the FCU Act to include trust territories of the U.S.
- ✓ SUPPORTED requiring an annual supervisory committee audit in lieu of the presently required semi-annual audit.
- ✓ SUPPORTED permitting appointment of more than one membership officer.
- ✓ SUPPORTED permitting appointment of an investment committee or investment officer.
- ✓ SUPPORTED a broadening of the powers that can be delegated to the executive committee.
- ✓ SUPPORTED the removal of mandatory entrance fee requirement.
- ✓ SUPPORTED expansion of officer borrowing privileges.
- ✓ SUPPORTED permitting FCU’s to offer lines of credit.

- ✓ SUPPORTED permitting FCU's to offer share certificates with varying maturities and yields.
 - ✓ SUPPORTED permitting date-of-deposit to date-of-withdrawal dividend periods.
 - ✓ SUPPORTED permitting FCU's to offer long-term real estate loans.
- H.R. 11221, enacted as Public Law 93-495—Depository Institutions Act of 1974*
- Strongly supported the amendment as introduced by Senator McIntyre which provided for EFT representation from each of the financial institutions to serve on the Commission.
- H.R. 14903 became S.3066 enacted as Public Law 93-383—Housing and Community Development Act of 1974*
- Strongly supported Title III dealing with credit unions. Appealed to credit union trade associations to exert every effort toward its early passage.

PROPOSED LEGISLATIVE MATTERS

- Central Liquidity Facility*
- Board supports a central liquidity facility. Previously on record of supporting such a facility but with more expanded powers viz those contained in FIA 73.
- Restructuring of NCUA*
- Recognizing that the restructuring of the National Credit Union Administration is premised on the establishment of the Central Liquidity Facility, the Board withholds a position on this matter until appropriate.

RECOMMENDATIONS MADE TO THE ADMINISTRATOR

- N.O.W. Accounts*
- This subject was discussed during the second Quarterly Meeting. A motion that the Board go on record as favoring N.O.W. Accounts for Federal credit unions, was defeated. The primary objection was the terminology, "N.O.W. Accounts."
- Board Recommendation.* That the Administrator develop, implement and study a program designed to handle withdrawals from shares remotely using strictly a paper system.
- STATUS.**—On October 1, 1974, a program developed by NCUA entitled "Pilot Program for Share Drafts" was implemented for a six month testing period. A total of three Federal credit unions, representing three distinctive types of fields of membership, were selected to participate in the Pilot Program. Each credit union is required to submit a monthly report to the Administrator relative

to the Program. At the conclusion of the testing period, March 31, 1975, the results of the Program will be analyzed.

As an aside, two State-chartered credit unions, which do not come under the regulatory authority of the National Credit Union Administration, are also experimenting in the same manner.

—●— *Increase in Statutory Limitation for Interest Charges*

Board Recommendation. By majority vote, the Board went on record as advising the Administrator that there should be some relief on the statutory limitation for interest (12%) that credit unions can charge their members.

STATUS.—The Administrator advised the Board that he took note of their advice, but that there had been no concrete evidence presented that such relief was needed and that such evidence should be presented prior to proposing legislation.

BOARD COMMENDATION

- The Administrator is commended for the outstanding manner in which he continues to perform in this most responsible position.
- Particularly noteworthy is his empathy for, and desire to be responsive to, the needs and desires of credit union members per se. During the past year, Administrator Nickerson has traveled thousands of miles in connection with his "Grass Roots Communication Program" which he initiated in 1973 with the objective being to gain a better personal understanding and insight of problems and/or desires of credit unions in general. This approach by the Administrator has been widely acclaimed and endorsed by all segments of the Credit Union System.
- Additionally, he has placed added emphasis and effort to encourage more open channels of communication and cooperation between the National Credit Union Administration and the national level of credit union organizations; i.e. trade associations, Leagues, State supervisory authorities, etc. The results of his personal interest and efforts are most commendable.

SPECIAL NCU BOARD RECOMMENDATION TO THE PRESIDENT

—●— *Executive Level of the Administrator*

Commensurate with the responsibilities of the Administrator and reflecting salary levels of those in comparable assignments within the Federal Government, the Board recommends that the Administrator be advanced from Executive Salary Level IV to Level III.

The above recommendation was a part of the Reports of the NCU Board contained in the 1972 & 1973 *Annual Report of the Administrator*. Inasmuch as past efforts and recommendations on the

part of the Board to have the position of the Administrator raised from Level IV to Level III have not been productive, the Board respectfully urges once again that favorable consideration be given to this recommendation.

NCU BOARD COMPOSITION

—●—The composition of the NCU Board for calendar year 1974 was as follows (Changes denoted by asterisks).

- o Richard H .Grant, Chairman
- o Marion F. Gregory, Vice-Chairman, Member, Region IV
- o O. Louis Olsson, Member, Region I
- o *Joseph F. Hinchey, Member, Region II
- o **Lorena C. Matthews, Member, Region III
- o James W. Dodd, Member, Region V
- o ***William E. Young, Member, Region VI

*Term Expired Dec. 31, 1974. In accordance with law, continues to serve until reappointed or replaced.

**Resigned to accept position as Deputy Administrator, NCUA. Kathryn F. Vachon appointed as replacement to fill unexpired term which expires Dec. 31, 1978.

***Term expired Dec. 31, 1973. Replaced by appointment of James W. Jamieson whose term expires Dec. 31, 1979.

—●—*NCU Board of Alumni Members*

- o John J. Hutchinson
- o DuBois McGee (Deceased)
- o William E. Young
- o Lorena C. Matthews

SUMMARIZATION

—●—In summary, it is considered that the NCU Board has satisfactorily fulfilled its mission of providing advice, counsel and guidance to the Administrator and has functioned in a manner completely in accord with the spirit of the law contained in P.L. 91-206.

—●—The Report, as submitted by the Administrator, meets with the approval and has the support of the NCU Board, and contains recommendations and comments submitted by the Board."

Table 6.—Selected data for Federal Credit Unions, December 31, 1934–74
[Amounts in thousands]

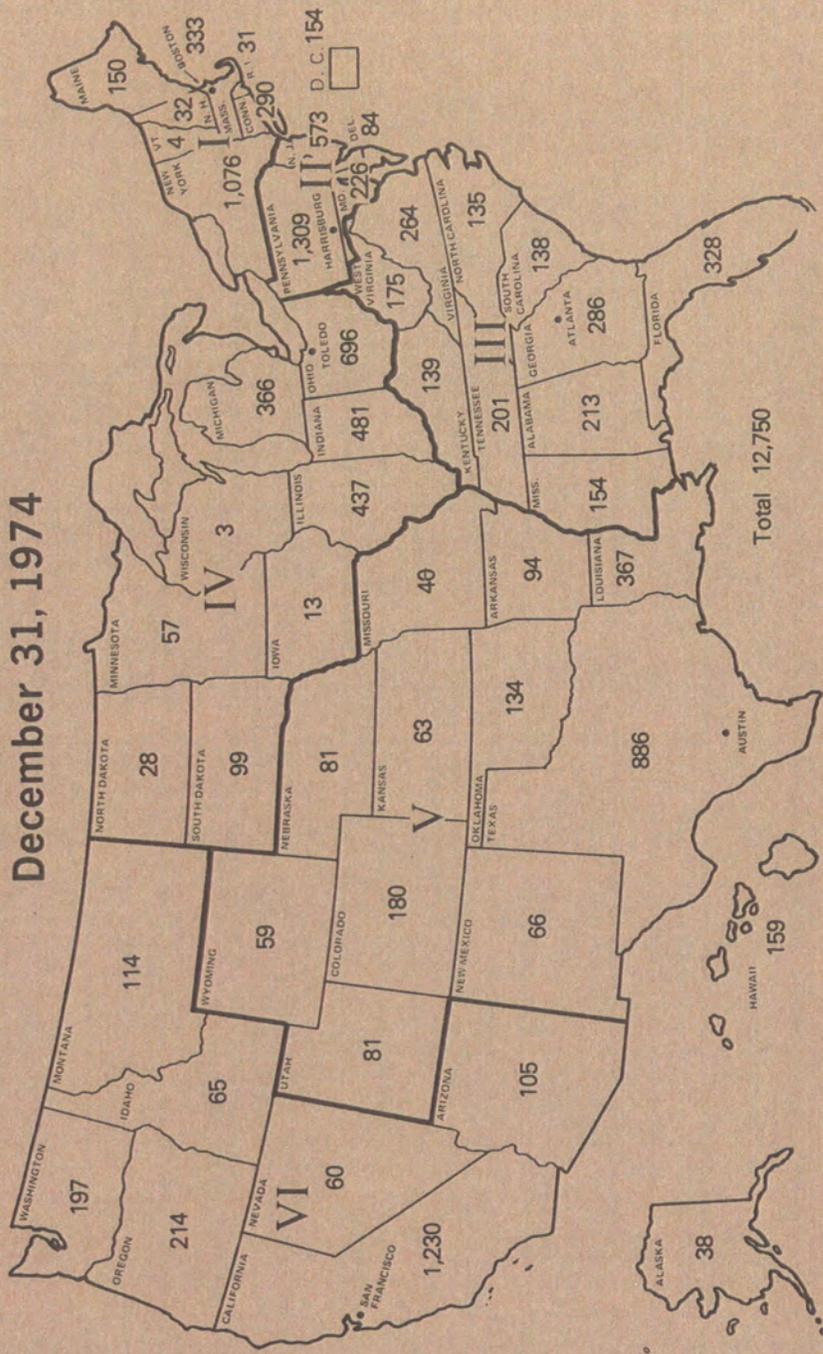
Year	Number of charters				Operating credit unions					
	Issued	Can- celed	Net change	Outstanding			Members ¹	Assets ¹	Shares ¹	Loans out- stand- ing ¹
				Total	Inactive credit unions	Number				
1934 ²	78	—	78	78	39	39	3,240	\$23	\$23	\$15
1935	828	—	828	906	134	772	119,420	2,372	2,228	1,834
1936	956	4	952	1,858	107	1,751	309,700	9,158	8,511	7,344
1937	638	69	569	2,427	114	2,313	483,920	19,265	17,650	15,695
1938	515	83	432	2,859	99	2,760	632,050	29,629	26,876	23,830
1939	529	93	436	3,295	113	3,182	850,770	47,811	43,327	37,673
1940	666	76	590	3,885	129	3,756	1,127,940	72,530	65,806	55,818
1941	583	89	494	4,379	151	4,228	1,408,880	106,052	97,209	69,485
1942	187	89	98	4,477	332	4,145	1,356,940	119,591	109,822	43,053
1943	108	321	-213	4,264	326	3,938	1,311,620	127,329	117,339	35,376
1944	69	285	-216	4,048	233	3,815	1,306,000	144,365	133,677	34,438
1945	96	185	-89	3,959	202	3,757	1,216,625	153,103	140,614	35,155
1946	157	151	6	3,965	204	3,761	1,302,132	173,166	159,718	56,801
1947	207	159	48	4,013	168	3,845	1,445,915	210,376	192,410	91,372
1948	341	130	211	4,224	166	4,058	1,628,339	258,412	235,008	137,642
1949	523	101	422	4,646	151	4,495	1,819,606	316,363	285,001	186,218
1950	565	83	482	5,128	144	4,984	2,126,823	405,835	361,925	263,736
1951	533	75	458	5,586	188	5,398	2,463,898	504,715	457,402	299,756
1952	692	115	577	6,163	238	5,925	2,853,241	662,409	597,374	415,062
1953	825	132	693	6,856	278	6,578	3,255,422	854,232	767,571	573,974
1954	852	122	730	7,586	359	7,227	3,598,790	1,033,179	931,407	681,970
1955	777	188	589	8,175	369	7,806	4,032,220	1,267,427	1,135,165	863,042
1956	741	182	559	8,734	384	8,350	4,502,210	1,529,202	1,366,258	1,049,189
1957	662	194	468	9,202	467	8,735	4,897,689	1,788,768	1,589,191	1,257,319
1958	586	255	331	9,533	503	9,030	5,209,912	2,034,866	1,812,017	1,379,724
1959	700	270	430	9,963	516	9,447	5,643,248	2,352,813	2,075,055	1,666,526
1960	685	274	411	10,374	469	9,905	6,087,378	2,669,734	2,344,337	2,021,463
1961	671	265	406	10,780	509	10,271	6,542,603	3,028,294	2,673,488	2,245,223
1962	601	284	317	11,097	465	10,632	7,007,630	3,429,805	3,020,274	2,560,722
1963	622	312	310	11,407	452	10,955	7,499,747	3,916,541	3,452,615	2,911,159
1964	580	323	257	11,664	386	11,278	8,092,030	4,559,438	4,017,393	3,349,068
1965	584	270	314	11,978	435	11,543	8,640,560	5,165,807	4,538,461	3,864,809
1966	701	318	383	12,361	420	11,941	9,271,967	5,668,941	4,944,033	4,323,943
1967	636	292	344	12,705	495	12,210	9,873,777	6,208,158	5,420,663	4,677,480
1968	662	345	317	13,022	438	12,584	10,508,504	6,902,175	5,986,181	5,398,052
1969	705	323	382	13,404	483	12,921	11,301,805	7,793,573	6,713,385	6,328,720
1970	563	412	151	13,555	578	12,977	11,966,181	8,860,612	7,628,805	6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,553,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974 ³	367	369	-2	12,972	222	12,750	15,867,000	16,701,000	14,462,000	12,852,000

¹ Data for 1934–44 are partly estimated.

² First charter approved Oct. 1, 1934.

³ Preliminary.

Federal Credit Unions Operating December 31, 1974



REGION I (BOSTON)	1,948	REGION III (ALANTA)	2,039	REGION V (AUSTIN)	2,051
REGION II (HARRISBURG)	2,347	REGION IV (TOLEDO)	2,180	REGION VI (SAN FRANCISCO)	2,185

NOTE: FEDERAL CREDIT UNIONS IN PUERTO RICO (37) AND THE VIRGIN ISLANDS (3) ARE INCLUDED IN REGION I; CANAL ZONE (7) IN REGION III; AND GUAM (3) IN REGION VI.

NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

OFFICIAL BUSINESS

POSTAGE AND FEES PAID
NATIONAL CREDIT UNION
ADMINISTRATION

