



**FREQUENTLY ASKED QUESTIONS
REGARDING NCUA'S EQUITY DISTRIBUTION RULE**

Q1. Under the final rule, who will receive a distribution for 2017?

A1. Under the final rule, the NCUA Board will effect a pro rata distribution to all eligible financial institutions. A financial institution is eligible to receive a distribution if it has filed a quarterly Call Report as a federally insured credit union for at least one reporting period in calendar year 2017. For a distribution made in 2018 in respect of calendar year 2017, this includes the following financial institutions:

- (1) Active federally insured credit unions as of December 31, 2017;
- (2) Newly chartered federally insured credit unions that filed at least one Call Report for a reporting period in 2017, which is the calendar year for which the Board has declared a distribution;
- (3) Financial institutions that converted to federal share insurance during 2017, provided they filed at least one Call Report as a federally insured credit union for a reporting period in 2017;
- (4) Credit unions that converted to private insurance, provided they filed at least one Call Report as a federally insured credit union for a reporting period in 2017; and
- (5) Liquidation estates provided the liquidated credit unions filed at least one Call Report as a federally insured credit union for a reporting period in 2017.

To the greatest extent possible, the final rule retains the Board's current policy of issuing distributions to federally insured credit unions and some other non-credit union financial institutions that leave the National Credit Union Share Insurance Fund through conversion, merger, or liquidation, provided they have filed a quarterly Call Report as a federally insured credit union for at least one reporting period in calendar year 2017.

Q2. When will I receive my 2017 distribution?

A2. The NCUA will provide credit unions with their distribution amounts as soon as they are completed, which is projected to be third quarter 2018. The NCUA needs time to update its IT systems to calculate individual credit union distribution amounts. Since the methodology was just approved on February 15, 2018, and due to the nature and complexity of the calculation, any third parties claiming to provide a calculator or calculations of an individual credit union's distribution amount is not accurate and should not be relied upon at this time. Additional updates on this issue are forthcoming.

Q3. How will my 2017 distribution be calculated?

A3. Distributions to eligible financial institutions will be calculated based on the average of insured shares reported in each institution's quarterly Call Reports.

For distributions related to the Corporate System Resolution Program (those made in respect of calendar years 2017 through 2021), each eligible financial institution's pro rata distribution will be based on the average insured shares reported in quarterly Call Reports extending back to the beginning of calendar year 2009. This calendar year marks the beginning of the Corporate System Resolution Program and the



first calendar year in which the Board charged corporate assessments. For example, Credit Union A is an active federally insured credit union as of December 31, 2017. Beginning in 2009, Credit Union A paid assessments as part of the Corporate System Resolution Program. With respect to the distribution declared for calendar year 2017, Credit Union A will receive a pro rata distribution in an amount based on the average insured shares reported in 36 prior quarterly Call Reports, four for each year from 2009 through 2017. Similarly, Credit Union B is an active federally insured credit union as of December 31, 2017. It received federal share insurance in February 2011 and paid all assessments after that date as part of the Corporate System Resolution Program. Credit Union B also will receive a pro rata distribution in an amount based on the average insured shares reported in 36 prior quarterly Call Reports. However, when calculating Credit Union B's distribution, the NCUA will use zero for any reporting period prior to the date that Credit Union B received federal share insurance.

Q4. I am a federally insured credit union that was newly chartered during 2017, which is the calendar year for which the Board has declared a distribution. How will my distribution be calculated?

A4. As long as you have filed at least one quarterly Call Report as a federally insured credit union for a reporting period in 2017, you will receive a prorated distribution based on the number of reporting periods for which you were federally insured by the NCUA. For example, if you were chartered by the NCUA or a state regulatory authority in January 2017 and filed a quarterly Call Report for all four calendar quarters in 2017, you will receive a distribution based on the average insured shares reported in all four quarterly Call Reports in 2017. However, if you were chartered in July 2017 and only filed two quarterly Call Reports in 2017, you will receive a prorated distribution based only on those reporting periods for which you were federally insured by the NCUA. When calculating your distribution, the NCUA will use zero for any reporting period prior to the date that you received federal share insurance.

Q5. I am a privately insured credit union that converted to private share insurance during 2017, which is the calendar year for which the Board has declared a distribution. How will my distribution be calculated?

A5. As long as you filed at least one quarterly Call Report as a federally insured credit union for a reporting period in 2017, you will receive a prorated distribution based on the number of reporting periods for which you were federally insured by the NCUA. For example, if you were a federally insured credit union that filed a quarterly Call Report as of June 30, 2017, and then terminated federal share insurance coverage before filing a third quarter Call Report as of September 30, 2017, you will receive a prorated distribution based on the reporting periods for which you were federally insured by the NCUA up to the June 30, 2017 Call Report. When calculating your distribution, the NCUA will use zero for any reporting period after the date that you terminated federal share insurance or for any reporting period prior to the date that you received federal share insurance.

Q6. I am a privately insured credit union that converted to private share insurance prior to 2017, which is the calendar year for which the Board has declared a distribution. How will my distribution be calculated?

A6. You will not receive a distribution in 2018. If you have not filed at least one quarterly Call Report as a federally insured credit union for a reporting period in 2017, then you are not an "eligible financial institution" and, thus, will not receive a distribution. Limitations set out in the Federal Credit Union Act



prohibit the Board from paying a distribution to a financial institution that was not a federally insured credit union for at least some part of the calendar year for which the Board declares a distribution.¹

Q7. I am federally insured Credit Union A that merged with federally insured Credit Union B during 2017 (Credit Union A is the surviving entity), which is the calendar year for which the Board has declared a distribution. How will my distribution be calculated?

A7. You will receive a pro rata distribution based on your average insured shares reported throughout calendar year 2017. Following the consummation of the merger, this will include insured shares acquired from Credit Union B. As long as Credit Union B filed at least one quarterly Call Report as a federally insured credit union for a reporting period in 2017, you will also receive a pro rata distribution based on the average insured shares reported by Credit Union B prior to the consummation of the merger. This is because Credit Union B, having filed a quarterly Call Report as a federally insured credit union for a reporting period in 2017, is eligible to receive the pro rata distribution. When calculating the distribution related to Credit Union B, the NCUA will treat Credit Union B as having zero insured shares for reporting periods following the consummation of the merger or before Credit Union B obtained federal share insurance.

Q8. I am federally insured Credit Union A that merged with federally insured Credit Union B prior to 2017 (Credit Union A is the surviving entity), which is the calendar year for which the Board has declared a distribution. How will my distribution be calculated?

A8. Your distribution will be calculated based solely on *your* average insured shares reported in 36 prior quarterly Call Reports. For the reasons noted above, Credit Union B will not receive a distribution in 2018 because it did not file at least one quarterly Call Report as a federally insured credit union for a reporting period in 2017, and the Federal Credit Union Act prohibits the Board from making payments to any financial institution that is not a federally insured credit union during the calendar year for which the Board declares the pro rata distribution. However, because your post-merger quarterly Call Reports reflect the concomitant increase in insured shares, your distribution calculation does give weight to the merger with Credit Union B for those post-merger reporting periods.

¹ See 12 U.S.C. § 1782(c)(3) (limiting equity distributions to “insured credit unions”).