Chapter 29

SPECIAL ASSISTANCE, LETTERS OF UNDERSTANDING AND AGREEMENT, CONSERVATORSHIP, AND SPECIAL ACTIONS

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Chapter 29

SPECIAL ASSISTANCE, LETTERS OF UNDERSTANDING AND AGREEMENT, CONSERVATORSHIP, AND SPECIAL ACTIONS

Examination Objectives

- Determine appropriate timing and type of special assistance for troubled credit unions
- Determine appropriate use, type, and language of Letters of Understanding and Agreement (LUAs) to resolve credit union's problems
- Determine the appropriate use of options of merger, purchase and assumption (P&A), or conservatorship to resolve credit union's problems
- Determine when to recommend supervision of the credit union to special actions

Associated Risks

- Liquidity risk can occur when members, vendors, and suppliers do not have sufficient confidence in the credit union to continue doing business;
- Strategic risk can occur when management does not institute proper planning or provide resources to carry out necessary credit union operations in a safe and sound manner; and
- Reputation risk can occur when problems escalate to the point of threatening the future viability of the credit union.

Overview

Resolving serious credit union problems can involve the use of various types of special assistance, the issuance of an LUA, merger, P&A, conservatorship, or the assignment of the credit union to special actions. The examiner must have fundamental knowledge of the types of special assistance available, and when to use each type. LUAs, a supervisory tool, clarify the actions a credit union agrees to take (or not take) to resolve identified problems. The examiner must have knowledge of the difference between a published and a non-published LUA.

Occasionally, efforts to resolve problems do not produce successful results. The examiner must then determine the appropriate remedy for the credit union, which may include merger, P&A, or conservatorship.

Regional staff may decide to recommend for assignment to special actions a credit union that (1) presents a risk of loss to the National Credit Union Share Insurance Fund (NCUSIF), and (2) needs complex and time intensive supervision. The regional director assigns cases to special actions based on the recommendations of staff.

Special Assistance

The *FCU Act* provides the NCUA Board, or its representative, the discretion and the authority to provide special assistance to federally insured credit unions. Normally, by the time NCUA considers special assistance, it has exhausted all other supervisory solutions. Credit unions request special assistance through the regional director. The approval of special assistance falls within delegated authority; however, the NCUA Board may, at their discretion, review these requests.

Special assistance is not a grant. Credit unions receiving special assistance to continue independent operations must justify receiving the special assistance, and demonstrate that the assistance will help make the credit union a financially viable, self-sustaining institution. NCUA carefully evaluates all assistance requests in terms of both the effect on the NCUSIF and the credit unions involved.

NCUA Instructions and the Office of Examination and Insurance's Special Assistance Manual contains detailed instructions regarding the use of special assistance and the processing of requests for special assistance.

Recommendation for Special Assistance

An examiner's on-site contact at the credit union should support each request for special assistance. When possible, NCUA examiners should make joint contacts at state credit unions with state examiners. Regional management and the state supervisor determine the scope of a contact in a state credit union.

If examiners determine the need for assistance during a normal examination or supervision contact, they will not recommend special assistance to credit union officials before discussing the case with the supervisory examiner and advising the regional director.

After deciding to recommend special assistance, the examiners or regional office staff should work with the credit union officials and employees to develop a workout plan that addresses the entire problem, provides for needed correction, and returns the credit union to normal operations within a reasonable period. Examiners submit the recommendation, including complete and comprehensive related data, to the regional director. The recommendation summarizes (1) the type and amount of assistance needed, (2) the basic problem causing the need for assistance, and (3) future prospects.

Charge to Reserve

§702.401(c) and §741.3(a)(2) of NCUA's Rules and Regulations allows the board of directors of a federally-insured credit union to authorize charges to the regular reserve for losses, provided the charges will not cause the credit union's net worth classification to fall below well capitalized.

All other charges to the regular reserve must receive the approval of the appropriate regional director or, if state-chartered, the appropriate state official.

208 Assistance

§208(a) of the *FCU Act* authorizes special assistance for the following purposes:

- Reopening a closed, insured credit union; preventing the threatened closing of an insured credit union; or assisting in the voluntary liquidation of a solvent credit union;
- Protecting the NCUSIF or the interest of the members of the credit union; or
- (1) Reducing risk, (2) averting a threatened loss to the NCUSIF and facilitating a merger or consolidation of one insured credit union with another, or (3) facilitating the sale of assets of an open or closed credit union to an assumption of its liabilities by another person.

NCUA may grant §208 assistance (208 assistance) when the NCUA Board determines that such action will protect the NCUSIF or the interests of the members of the credit union. A written agreement must accompany §208 assistance. Field staff monitors all §208 assistance cases monthly using SATEX and the Risk Management System (RMS).

NCUA may provide §208 assistance to (1) critically undercapitalized credit unions, (2) uncapitalized new credit unions, and (3) credit unions "in danger of closing." The following characteristics define a credit union in danger of closing:

- A credit union subject to mandatory conservatorship, liquidation, or other corrective action provided in §702.204(c) or §702.305(c) of the *NCUA Rules and Regulations* and unable to increase net worth sufficiently through net income retention or other sources (e.g. secondary capital);
- A credit union subject to discretionary conservatorship or liquidation as provided by §702.203(c), or required to merge as provided by §702.203(b)(12);
- A new credit union subject to discretionary conservatorship or liquidation as provided by §702.304(c). (See the E&I Special Assistance Manual, Chapter 1, for specific information); or
- A credit union subject to a high probability of sustaining an identifiable loss (e.g. fraud, unexpected and sudden outflow of funds, operational failure, natural disaster, etc.) that would result in a critically undercapitalized status or subject it to conservatorship or liquidation under §702.304(c).

§208 assistance may be temporary or permanent in nature. Generally, NCUA limits temporary §208 assistance, in the form of temporary dividends, to two quarterly (or six monthly) dividend periods for all dividends including dividends on regular shares, non-member shares, share certificates, and other share accounts.

NCUA normally limits permanent §208 assistance (subsequent to any temporary assistance period) to a 24-month workout period.[1] For all

[1] Historical experience has shown that workout periods of longer than 24-months are not likely to succeed. The timeframe is also consistent with the timeframes included in PCA.

approved permanent §208 assistance requests, the regional director issues an LUA outlining the terms and conditions of the assistance.

Permanent §208 assistance may consist of either non-cash or cash assistance. Non-cash assistance includes a Prior Undivided Earnings Deficit (PUED) - NCUSIF Guaranteed account, NCUSIF guaranteed line of credit, or an asset (loan) guarantee. Cash assistance includes a NCUSIF loan, NCUSIF share deposit, NCUSIF subordinated note, or an asset purchase.

The request for assistance must justify that the proposed plan reflects the best alternative for the credit union members and is in the best interest of the NCUSIF. The regional director ensures that the request includes documentation of the resolution alternatives considered, the estimated costs, and information to support cost estimates. If an alternative other than the one selected would cost the NCUSIF less, the region must specifically address and clearly support the reason for not selecting the least costly alternative.

Temporary §208 Assistance (Temporary Dividends)

Federally insured credit unions with deficits in undivided earnings may not disburse dividends without NCUA's approval. The credit union must submit to the regional director a written request for NCUA approval to pay reasonable dividends. NCUA approves temporary dividends to prevent the collapse of the credit union while providing time to correct root problems, make necessary management changes, provide clean financial statements, and/or prepare the credit union for merger, purchase and assumption, or liquidation. NCUA must not use temporary dividend authority to delay strong corrective action.

NCUA's approval of temporary §208 assistance allows the credit union to establish a temporary Prior Undivided Earnings Deficit (PUED) - NCUSIF Guaranteed account up to a maximum estimated deficit amount and to pay dividends for a maximum of two quarters or six months. Temporary dividends exceeding two quarters or six months require NCUA Board approval.

NCUA grants dividend authority in quarterly (three-month) increments and the credit union must make a separate request for each quarterly period. When the credit union declares and pays dividends monthly,

the regional director will approve each monthly dividend payment contingent upon receipt and approval of the credit union's proposed dividend rates, anticipated dividend expenses, and resulting PUED.

The NCUA Board delegated to the regional directors and the Office of Examination and Insurance authority to authorize a credit union with a deficit in Undivided Earnings to continue paying dividends. The estimated deficit in Undivided Earnings determines the amount of assistance provided. SUP 3 (2), Delegation of Authority outlines the amounts delegated and concurrence requirements.

NCUA grants temporary dividend authority as temporary §208 assistance with minimal documentation. Requests for temporary §208 assistance (temporary dividends) must contain enough information to demonstrate the benefit to both the credit union and the NCUSIF to continue operating the credit union. Refer to the Special Assistance Manual for details on preparation of a request for temporary dividends requiring concurrence from the Office of Examination and Insurance.

Permanent §208 Assistance

The NCUA may grant permanent special assistance to a credit union continuing independent operations, if the credit union proves it can maintain a viable, self-sustaining status.

The credit union must have in place the following nine preliminary requirements before requesting permanent special assistance:

1. Viable field of membership
2. Capable management
3. Accurate and current books
4. Full and fair financial disclosure
5. Proper written policies and procedures (or realistic plan to put them in place)
6. Approved net worth restoration plan or risk based plan (including the impact of repayment of assistance)
7. Positive track history of financial performance and resolving problems
8. Correction of root problems
9. System for monitoring on-going performance

The Office of General Counsel should review cases where credit union officials need to replace ineffective or incompetent management before the credit union may receive permanent §208 assistance. The Office of General Counsel should also review cases when NCUA denies a request for permanent §208 assistance because the officials failed to remedy noted management deficiencies.

Non-Cash Assistance

Non-cash assistance includes Prior Undivided Earnings Deficit (PUED) - NCUSIF Guaranteed accounts and NCUSIF asset guarantees.

- **Prior Undivided Earnings Deficit (PUED)** - NCUSIF Guaranteed Account. Since no credit union with a deficit in undivided earnings may pay dividends, the credit union may request non-cash §208 assistance in the form of a PUED - NCUSIF guaranteed account. The credit union will transfer the deficit amount in undivided earnings to this account and footnote the assistance on its financial statements.

- **NCUSIF Asset Guarantee**. After exhausting all remedies, the best business decision for NCUA and the NCUSIF may involve arranging a merger or P&A. They may also explore liquidating the problem credit union using an asset guarantee when (1) they cannot readily determine the fair value of the assets, (3) they need to expedite the situation, or (3) they question whether they can recover the full value of the assets. The region must demonstrate and support significant savings to the NCUSIF in its documentation and justification.

NCUA approves asset guarantees <u>only in rare situations</u> and normally for short periods of time (less than twelve months.) The region must provide justification in the concurrence package if the requested asset guarantee exceeds twelve months. When considering levels of delegated authority, the total amount of the guarantee constitutes non-cash §208 assistance.

Cash Assistance

Cash assistance includes NCUSIF subordinated notes, NCUSIF share deposits, NCUSIF loans, and asset purchases. The LUA may restrict

the use of cash §208 assistance to specific purposes, such as funding of share withdrawals, short-term investments, the hiring of qualified management, etc.

NCUSIF Subordinated Notes

NCUA uses this assistance in problem credit unions when a cash infusion by the NCUSIF at minimal or no cost to the credit union will restore profitability and result in a financially viable, self-sustaining credit union.

An NCUSIF subordinated note is a subordinated liability with repayment terms that may include "incentive forgiveness." The credit union may earn forgiveness by meeting pre-established goals tied to specific financial or operational performance benchmarks. Often, NCUA bases forgiveness provisions upon a percentage of quarterly net income.

Generally, NCUA provides cash infusions in the form of subordinated notes that the credit unions repay to the NCUSIF. However, as part of some workout plans for the most severe cases, credit unions may earn "incentive forgiveness" of part of the cash assistance by meeting performance goals and benchmarks defined in the assistance LUA.

When NCUA includes incentive forgiveness in assistance plans, the credit unions may write-off part of their undivided earnings deficits, or other types of losses, against the cash assistance. The credit union will not repay incentive forgiveness to the NCUSIF. Instead, it will record the incentive forgiveness as income to the credit union.

NCUSIF Share Deposits, Loans, and Asset Purchases

In some cases, a §208 assistance workout plan may include (1) NCUSIF share deposits in the credit union, (2) NCUSIF loans to the credit union, or (3) NCUSIF purchases of specific credit union assets. The regional director defines the terms and conditions of these special assistance accounts in the LUA or other contractual agreement developed as part of the assistance plan.

Liquidity Assistance

A credit union may need liquidity assistance when emergencies or situations such as sponsor problems, natural disasters, embezzlements,

or other problems arise. A credit union may request an NCUSIF guaranteed line of credit in cases where the corporate credit union or other credit provider refuses to extend or increase the credit union's available line of credit.

Credit unions receiving a guaranteed line of credit must be insolvent or in danger of closing. Delegated authority limits the term of the guarantee to two years and the amount to $5 million. Requests that exceed the delegated limits require NCUA Board approval. The Special Assistance Manual contains details on requesting a NCUSIF guaranteed line of credit.

Returning a Credit Union to Solvency

No single workout plan exists for all the problems encountered in credit unions. Successful workout plans combine results-oriented management with results-oriented supervision. Successful resolution requires that everyone understand the nature of the problem and the urgency of resolving it. Success hinges on the quality of management and a viable field of membership.

Following is a general workout strategy:

- Retain capable management and operations personnel, whom the board of directors holds accountable for the results;
- Establish basic credit union operations;
- Generate current, accurate records including fully and accurately reconciled general ledger accounts;
- Meet full and fair disclosure provisions;
- Review all expenses and gain operational efficiencies;
- Establish the credit union's business strategy for lending and shares, fee income, and operating expenses and incorporate these into a net worth restoration plan or business plan; and
- Implement the net worth restoration plan or the business plan with the support of all levels of personnel.

Resource Sharing

Resource sharing takes known, proven managers or other professionals and involves them in resolving the credit union's problems. Examiners and regional office staff recruit people who know how to manage and invigorate operations to help troubled credit unions.

Each region should maintain a reference file of potential resource people, who have different areas of expertise. In troubled credit unions, potential management candidates must meet strict qualification standards and obtain NCUA approval pursuant to §701.14 of the *NCUA Rules and Regulations*.

Letters of Understanding and Agreement

Letters of Understanding and Agreement (LUAs) serve as supervisory tools. Regional offices sometimes use LUAs as informal administrative actions because other administrative actions often enforce violations of the terms of the LUAs.

An LUA is essentially a contract between NCUA and a credit union. The credit union agrees to take, or not take, certain specified actions. Regional directors issue LUAs when credit unions have not adequately responded to less severe measures, such as Documents of Resolution. NCUA also requires LUAs for newly chartered credit unions and to grant permanent special assistance.

Delegation of Authority SUP 16 authorizes regional directors to enter into LUAs with elected and appointed officials of FCUs and FISCUs. Regional directors discuss and negotiate publication of LUAs with the credit unions to prevent unfair surprises to credit unions and their officials. The regional directors will address the issue of publication in every LUA between NCUA and a federal credit union by including one of the following three provisions:[2]

1. This LUA will not be published;
2. This LUA will be published; or
3. The regional director is reserving for a reasonable time the right to publish this LUA.[3]

Specific and clear language in the LUA enables all parties to understand the expectations. As appropriate, examiners or the regional office staff prepares the proposed LUAs and tailors them to each case.

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[2] Minor modifications and variations of the listed provisions that clearly communicate the same ideas are acceptable.

[3] This third provision can also specify the period of time within which the RD will decide whether to publish the LUA or can correlate publication to a specified event (or the failure of an event to occur).

Refer to the Special Assistance Manual for additional LUA details, guidance on LUA language, and procedures for publication.

In credit unions with outstanding LUAs, the examiner must determine compliance with the LUA and document compliance within the examination report. The examiner or credit union should support recommended changes to the LUA by attaching appropriate supporting workpapers and documentation for the regional office. For credit unions with special assistance, the regional director must approve material modifications to LUAs that affect the workout period or amount of assistance. Depending on the amount and terms, the modification may require concurrence and approval of the NCUA Board or the Office of Examination and Insurance.

Once the credit union has corrected the problem areas addressed by the LUA, the regional director removes the LUA.

Published LUA

The *Federal Credit Union Act* requires the NCUA Board to publish and make available to the public "any written agreement or other written statement for which a violation may be enforced by the Board unless the Board, in its discretion, determines that publication would be contrary to public interest."[4] The NCUA Board will publish an LUA if the Board can legally enforce the violations.

The NCUA Board may take administrative actions against credit unions or officials that fail to meet terms of published LUAs. Violations of the terms of a published LUA alone constitute grounds for administrative actions and, although not required, the LUA may include language to that effect. This provides evidence that the officials know, or should know, of the consequences of noncompliance.

Non-Published LUA

NCUA may take an administrative action, even when it has not published the LUA if the credit union (1) fails to comply with the terms of the LUA, <u>and</u> (2) conducts itself in a way that constitutes a safety and soundness violation or violation of law or regulation.

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[4] 12 U.S.C. 1786(s)(1)(A).

LUAs in FISCUs

An LUA issued to a Federal Insured State Chartered Credit Union (FISCU) by a state supervisory authority need not address publication unless required by state law or regulation. NCUA, together with the state supervisor, may jointly issue an LUA to a FISCU. In such instances, the requirement for publication applies if NCUA attempts to take action based on a violation of the terms of the LUA. Therefore, regional directors will include one of the three publication provisions discussed above in all LUAs issued jointly with NCUA and a state supervisory authority.

Merger, Purchase and Assumption

A merger or P&A with or without special assistance may serve as an alternative when a credit union cannot feasibly continue operations. NCUA staff should make every effort to find a merger or P&A partner that will minimize loss to the share insurance fund and will allow service to continue to the field of membership. Examiners should avoid mergers that solve a short-term exposure to the NCUSIF but have the potential to create long-term exposure.

Crucial to every merger is management's ability to successfully deal with the problems in the merging credit union. A documented analysis of management's ability to handle the proposed consolidation should support information provided to the regional director and the Office of Examination and Insurance. Also, examiners should prepare a summary of the effect on the financial condition of the assuming credit union (i.e., pro-forma consolidated financial statements and key ratios.)

In a merger, the continuing credit union absorbs the rights of members and creditors and the credit union's assets and liabilities. The merging credit union simply becomes a part of the continuing credit union. Accordingly, the continuing credit union must honor all legal commitments, except a commitment or liability assumed before merger by a third party, usually the NCUSIF. In a merger, liquidation of the merging credit union never occurs.

In a P&A, the purchasing and assuming institution buys only specified assets and assumes only certain specified liabilities, which may include share accounts, after NCUA places the credit union into liquidation. Those assets not purchased and liabilities not assumed, including any

contingent or unrecorded, become the responsibility of the NCUSIF. The P&A alternative enables the NCUSIF to repudiate or invalidate various contracts that the assuming institution deems unacceptable.

Only credit unions can merge with one another. Statutorily, the operations of a credit union cannot merge into a bank or a savings and loan. However, as a legal and, in some cases, a practical alternative, a bank or an S&L can purchase and assume a credit union's assets and liabilities. Consequently, when necessary, NCUA may expand its consideration to banks and S&Ls. In such cases, the approval process will involve the bank or S&L regulator and insurer.

Negotiations for any special assistance to facilitate a merger or P&A start with the known and the estimated losses (estimated cost to the share insurance fund) as of the effective date. The assistance amount should not exceed the estimated loss to the NCUSIF in the event of a liquidation as of the same date. The field of membership and assets and deposits represent value that the continuing credit union should consider when negotiating a merger or a P&A.

The district examiner, working with the credit union, the supervisory examiner, and the regional staff, should contact potential merger or P&A partners. A competitive bidding process often reduces the ultimate cost to the NCUSIF. The examiner should refrain from discussing the type and amount of assistance, and should encourage the potential merger or P&A partners to perform their own due diligence. NCUA staff must take appropriate steps to control the disclosure of confidential information. The examiner will obtain the consent of the regional director before accepting or expressing approval of any proposal. Final approval of every merger rests with the regional director or the NCUA Board.

Board Action Memorandum (BAM)

The regional director requests authority not delegated and requiring action by the NCUA Board in the form of a board action memorandum or BAM. Prior to submission to the NCUA Board, the action requested by the regional director may require concurrence of other offices (Examination and Insurance and General Counsel). The regional director should also solicit the views of the Office of Credit Union

Development when one of these actions involves a low-income credit union.

The reviewing offices need adequate time to review and respond. (Refer to the NCUA Correspondence Manual and Board Meeting Schedule for further information.)

The Special Assistance Manual provides details on the appropriate backup material for inclusion in a special assistance request.

Conservatorships

Regional directors initiate conservatorship actions after obtaining concurrence of the Offices of General Counsel and Examination and Insurance and approval of the NCUA Board (refer to the *Federal Credit Union Act* §206(h)(2)(A) for FISCUs.)

Conservatorships generally should not exceed 12 to 24 months. To ensure recovery or resolution within a realistic time frame, the region develops a written plan to resolve immediate problem areas and documents its prospects for the credit union's future. The region's resolution plan includes estimated time frames for returning the credit union to the membership, merger, or liquidation. Normally, the regional director will present the resolution plan at the time of the request to the NCUA Board for approval of the conservatorship action. If the region has not completed the resolution plan at the time of the request for conservatorship approval, it must explain the reasons for the delay in the BAM. In these cases, the region must provide the resolution plan to the Office of Examination and Insurance within 30 days of the conservatorship order date.

If the conserved credit union, under the prompt corrective action regulation requirement, must file a net worth restoration plan or a revised business plan, the conservatorship manager, in consultation with the NCUA personnel supervising the credit union, will file the plan.

Conserved credit unions not subject to the prompt corrective action regulation must prepare a business plan within 90 days of the conservatorship order. The plan should include operational and financial goals and performance benchmarks with target dates.

NCUA must secure capable operational management upon the initiation of conservatorship. Regions should maintain a list of potential conservatorship managers.

Using an advisory board of directors and supervisory committee during conservatorship provides a training ground for volunteers, a source for membership feedback and a resource for special projects. NCUA recommends, but does not mandate, using an advisory board of directors and supervisory committee.

Actions that will result in exposure of $200,000 or more require the concurrence of the Office of Examination and Insurance (e.g., conversion of a computer system.) The agent of the conservator should provide sub-agents of the conservator with appropriate written authorization limits.

Under §207(c) of the *Federal Credit Union Act*, NCUA may disaffirm or repudiate any contract or lease within a reasonable period following appointment as conservator, provided:

- The conservator determines the performance of the contract or lease to be burdensome; and
- The disaffirmance or repudiation will promote the orderly administration of the credit union's affairs.

Responsibility for recommending contracts for repudiation rests with conservatorship management and NCUA personnel supervising the case. The conservator or the agent for the conservator has the legal authority to repudiate a contract. The Office of General Counsel can advise on repudiation of contracts and will assist in the preparation of necessary repudiation documents.

Examiners must perform an examination within twelve months of the order for conservatorship. The credit union must have an audit and a verification of accounts performed in accordance with the requirements of Part 715 of the *NCUA Rules and Regulations*.

The region will report on NCUA-operated conservatorship using the Risk Management System. They will input data into the system using the SATEX workbook and update the information monthly.

Ending a conservatorship and returning the credit union to the membership requires NCUA Board approval and the concurrence of the offices of General Counsel and Examination and Insurance. Examiners must complete an examination not more than 120 days before the proposed NCUA Board action to return control to the credit union membership.

Instituting an LUA may ensure performance of the credit union upon the termination of the conservatorship. In a conservatorship that has §208 assistance requiring repayment, the new LUA or the Order for Removal of Conservatorship must address the repayment.

The Special Assistance Manual contains a checklist that provides detailed action items beginning with the initiation of the conservatorship through the removal of the conservatorship.

Special Actions

Special Actions identifies, controls, and corrects serious problems in short periods of time to maintain the integrity and soundness of the NCUSIF. NCUA's commitment to strong and responsive problem resolution does not conform to regional borders, but represents a national concern. NCUA will use all available resources to accomplish this task.

Assignment of Special Action Cases

The regional director assigns cases to the special actions division in each region based on factors such as size, complexity of problems, effect on district or regional program, degree of potential risk of loss to the NCUSIF, and political sensitivity. The condition of the credit union cases assigned to special actions should not require the dissolution of the credit union, but should provide an opportunity for resolving the problems and maintaining independent operations.

Unless the regional director approves another examiner, a special actions problem case officer or capital market specialist should act as examiner-in-charge of credit unions with outstanding §208 assistance. The assigned problem case officer takes full responsibility and accountability for assigned cases. The regional director has discretion regarding the number of cases assigned to special actions and individual problem case officers; however, the regional director retains

responsibility for ensuring adequate supervision of cases assigned to special actions.

Goals of Special Actions

The goals of special actions include the following:

- Detecting potential and emerging problems early through effective district management and evaluation of credit union data;
- Developing results-oriented supervision practices;
- Resolving problems in credit unions coded CAMEL 4, 5 and large, complex code 3;
- Reducing the risk to the NCUSIF;
- Ensuring placement of competent management;
- Achieving profitability within six months of assignment;
- Improving net worth of a new credit union to at lease 2 percent within 23 months from the effective date a credit union was classified as critically undercapitalized or uncapitalized.

Training for Special Actions

Training is an integral part of the special actions role in minimizing risk of loss to the NCUSIF. A highly trained and motivated group with strong technical and decision-making skills ensures the soundness and consistency of problem resolution nationally. While experience remains an important "teacher," it cannot entirely replace education for such a specialized group of examiners.

NCUA holds periodic conferences for special actions personnel. Inter-regional work, especially in large, complex, and unique situations provides further training to enhance the different professional and experience levels in each region. This sharing of experience encourages consistency to problem resolution that positively affects the resolution of risk of loss to the NCUSIF.

Regions and the central office's Division of Training and Development provide examiners specialized training in the areas of commercial lending, investments, ALM, agricultural lending, and marketing strategies, as well as negotiation tools, motivation, stress management, and other courses critical to accomplishing the mission of special actions.

In addition to special actions personnel, district examiners should have access to special actions experience and training to improve the level of risk identification and problem resolution expected from all examiners. Regional directors encourage this at the regional level using various means including team jobs with problem case officers as team members, problem case officers working on examinations with individual examiners, and individually tailoring training sessions conducted by special actions staff. The Division of Training and Development offers specialized training such as the Problem Resolution Seminars at the national level. Examiners with more training and experience in the area of special actions can better minimize the potential for risk of loss to the NCUSIF.

The National Teams (TNT)

At times, a situation may demand too many of a specific region's resources (including experienced, responsible individuals). In these instances, NCUA has developed specialized national teams to work on these cases. The national teams receive training to quickly identify the problems, control losses, determine staffing needs, and resolve the problems. The national teams usually report to the requesting regional director, but may report to an alternative management hierarchy, if available.

NCUA may develop the national teams based upon the following thresholds:

- Asset size $100 million or greater;
- Estimated potential losses exceed $10 million;
- Regional identification of a peculiar situation not clearly definable without swift and significant supervision efforts; or
- At the request of the regional director.

References

- *FCU Act*
  - §206
  - §207
  - §208
  - §216

- *NCUA Rules and Regulations*
  - §701.14
  - §702
  - §741.3(a)
- Special Assistance Manual
- NCUA Delegations of Authority
- NCUA Instruction No. 4900, Guidance on Release of Credit Union Financial Information
- NCUA Letter to Credit Unions 01-CU-01