



1973
Annual Report
of the
Administrator

National Credit Union
Administration
Washington, D.C.
20456

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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of the Administrator

March 11, 1974

Dear Mr. President:

Pursuant to Section 102 of the Federal Credit Union Act as amended (12USC, 1752a(e)), I am pleased to submit the *Annual Report of the Administrator*, National Credit Union Administration for calendar year 1973.

Respectfully,

A handwritten signature in cursive script, appearing to read "J. Hickerson".

Administrator

The President
The White House
Washington, D.C.

Enclosure

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 any of 44 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 1973, some 23,000 credit unions, with more than 27½ million members and total resources of almost \$28.6 billion, were in operation in the United States. (All 1973 data are partly estimated.)

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OFFICE OF THE ADMINISTRATOR

Growth in Federal credit union resources, which was at a record rate in the first half of 1973, slackened after mid-year due to disintermediation and a falling off in the rate of consumer savings. As of yearend 1973, Federal credit union assets stood at \$14.6 billion, an increase of more than \$2 billion (16.4%) for the year.

In contrast to the preceding year when share growth had exceeded loan growth (doubtless largely reflecting the availability of Federal share insurance), expansion of shares in 1973, at \$1.6 billion was slightly smaller than the increase in loans. By December 31, 1973, Federal credit union loans totaled \$11.1 billion and members' shares, \$12.6 billion. Liquid asset holdings of Federal credit unions, at \$2.5 billion, were about unchanged from a year earlier.

Membership in Federal credit unions increased by more than a million (8.1%) in 1973. By yearend, 12,688 Federal credit unions in the United States were serving about 14.7 million members. The number of operating Federal credit unions declined by 20 in 1973; thus the membership gain represented growth in existing Federal credit unions rather than from the addition of members of newly chartered groups (Chart).

The number of federally and State-chartered credit union members has increased rapidly during the last ten years and now comprises about 30% of the labor force.

Program Accomplishments

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

Supervision and Examination Program

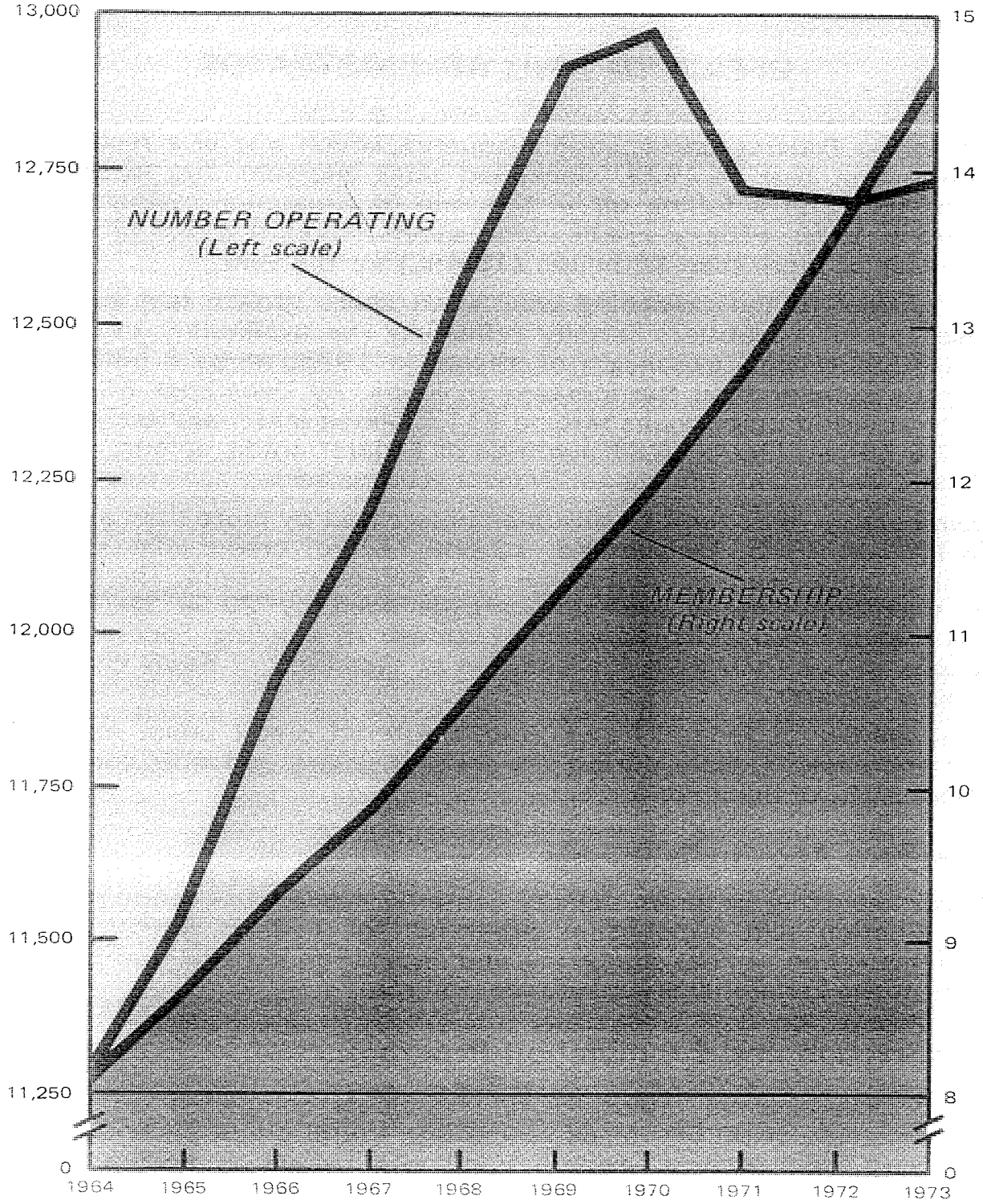
As of December 31, 1973, NCUA examiners completed supervisory examinations of 99.5% of all operating Federal credit unions. During the year, four special examinations were made at Federal credit unions that had unusual problems.

Under authority of Title I of the Federal Credit Union Act, the charters of three credit unions were suspended during 1973. These credit unions were subsequently placed into involuntary liquidation.

NUMBER AND MEMBERSHIP OF OPERATING FEDERAL CREDIT UNIONS, 1964-1973

NUMBER OF CREDIT UNIONS

NUMBER OF MEMBERS (MILLIONS)



Examination procedures were modified in August 1973 to incorporate the loan quality analysis into the regular supervisory examination program. This new technique utilizes statistical sampling methods to select loans for review and profiling. Through use of this procedure, the examiner is able to estimate within certain precision limits the quality of a credit union's loan portfolio.

Chartering and Liquidations

Chartering.—The number of Federal credit union charters issued during the year increased while the number of charter cancellations declined. During 1973, 364 charters were issued and 523 were canceled, resulting in a net decline in outstanding charters of 159 (Table 1). The newly-chartered credit unions represented a potential membership of 870 thousand, more than 135 thousand greater than the potential of credit unions chartered in 1972.

Table 1.—Status of Federal Credit Union Charters, December 31, 1973

Activity	Number of Charters
As of December 31, 1972:	
Total charters issued since June 26, 1934 -----	21,135
Total charters canceled since 1934 -----	-8,002
Total charters outstanding -----	13,133
During 1973:	
Charters issued -----	364
Charters canceled -----	-523
Net change -----	-159
As of December 31, 1973*	
Total charters outstanding -----	12,974
Held by inactive credit unions** -----	286
Held by operating credit unions -----	12,688

* Preliminary.

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

Federal credit unions serving associational and occupational fields of membership declined during 1973 while the number with residential membership increased slightly (Table 2).

Table 2.—Change in Operating Federal Credit Unions by Type of Membership, 1973

Type of membership	Number in operation		Change during 1973	
	1972	1973	Number	As a percent of number operating 1972
Total -----	12,708	12,688	-20	-0.2
Associational -----	1,857	1,837	-20	-1.1
Occupational -----	10,374	10,368	-6	-.2
Residential -----	477	483	6	1.3

As in other recent years, the majority (275) of the new charters were issued to occupational groups, while 82 and 7 were granted to associational and residential groups, respectively. The three States in which 25 or more charters were issued in 1973 were the same as in 1972; they were California (54), New York (38), and Pennsylvania (27). The number of Federal charters granted in 1973 exceeded the number issued in 1972 in 23 States. (See map on Page 6 for number of Federal credit unions by State and NCUA Region as of December 31, 1973.)

In mid-1973, a comprehensive program was implemented to recognize the efforts of volunteers, trade association representatives, and NCUA staff members in the organization of new federal credit unions. The program was retroactive to March 10, 1970, the date that NCUA became an independent agency. Through December 31, 1973, 447 certificates of appreciation for first charters, 81 certificates of recognition for fifth charters, 37 certificates of recognition for tenth charters, one special citation for a 25th charter, and one special citation for the organization of 50 Federal credit unions had been issued under the provisions of the program.

Liquidations.—During 1973, 373 insured Federal credit unions and 18 federally-insured State credit unions entered liquidation. Of the Federal credit unions, 55 were insured for a period of two years (this program is discussed below). All of the 395 liquidations were voluntary on the part of the credit unions except for 66 Federals and 2 State credit unions. The 66 Federal credit unions were placed into involuntary liquidation because of insolvency and in accordance with Section 207 of Title II of the Federal Credit Union Act. The shares of members in these credit unions amounted to \$2,296,865. Payment of shares was begun shortly after the action placing the credit union into involuntary liquidation.

Also during 1973, the National Credit Union Share Insurance Fund (NCUSIF) commenced payment to shareholders of two federally-insured State credit unions that were placed into liquidation because of insolvency. These actions represent the first payouts to members of an insured State credit union. In both cases, the State supervisor declared the credit union to be insolvent and appointed the Administrator, NCUA, as liquidating agent. Total members' shareholdings of these two credit unions amounted to \$117,846 and claims were promptly paid out.

During 1973, NCUA guaranteed the purchase of the outstanding loans of 126 federally-insured credit unions to expedite the action of voluntary liquidation. The initial contingent liability to the share insurance fund amounted to \$4,299,174. Most of these loans were purchased by other credit unions, credit union trade associations, and financial institutions under the authority granted by Section 208 of Title II of the Federal Credit Union Act.

Charter Amendments.—In 1973, the Administrator approved 2,218 amendments to Federal credit union charters and bylaws, an increase

of 461 over 1972. Of these, 452 were bylaw amendments. The charter amendments included 1,453 involving field of membership expansions, making credit union services available to an additional 1,780,000 persons. In addition to the bylaw amendments above, 5,459 bylaw amendments were issued to enable Federal credit unions to permit the payment of an annual dividend of 7%.

Mergers.—Seventy mergers were completed in 1973. Thirty-four involved only Federal credit unions, 12 involved only insured State-chartered credit unions, and 24 involved both Federal and State credit unions (20 were continuing State credit unions; 4 were continuing Federal credit unions).

Conversions.—Thirteen conversions were completed in 1973. Nine were conversions of State-chartered credit unions to Federal charters, while 4 were conversions of Federal credit unions to State charters.

Insurance Program

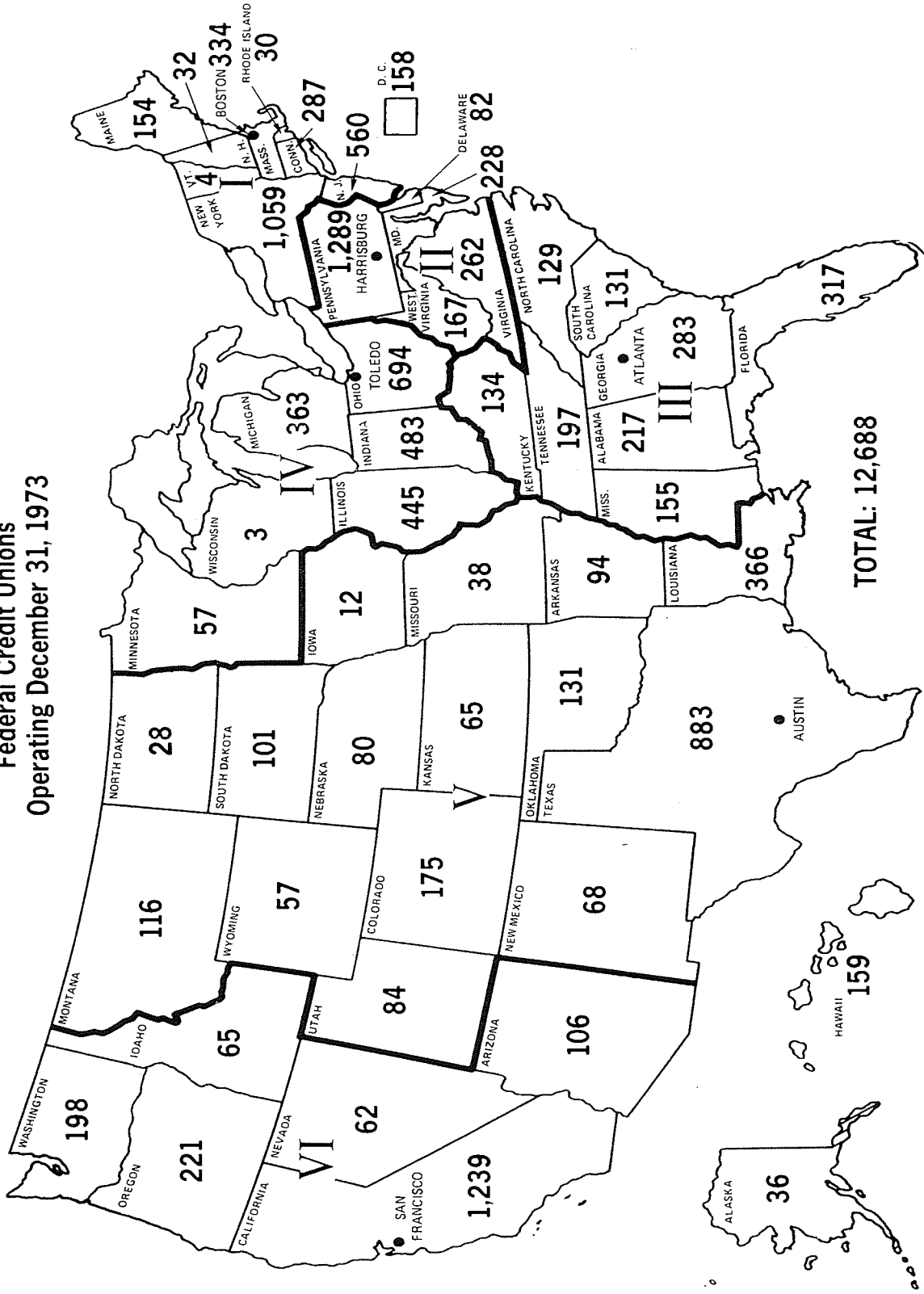
Administration of the Federal share insurance program consisted principally of efforts to permanently insure Federal credit unions that were granted temporary (2-year) share insurance under the provisions of Public Law 92-221, and of processing the continuing flow of State credit union applications for Federal share insurance.

The Two-Year Insurance Program.—A major task in 1973 consisted of administering the temporary insurance program. Of the 1,078 Federal credit unions originally issued two-year temporary insurance certificates under the provisions of Public Law 92-221, signed by the President on December 23, 1971, 888 have qualified for and obtained regular share insurance (Table 3). The success of the program can be attributed to the combined efforts of credit union officials, staff of the National Credit Union Administration, and certain segments of the credit union industry.

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, 1973	1,110
Certificates withdrawn from credit unions in liquidation on Jan. 3, 1972	13
Federal credit unions that qualified for regular insurance	888
Federal credit unions that entered liquidation	209
Reason for liquidation:	
Loss or reduction of field of membership	22
Poor financial condition and lack of growth	121
Inability to obtain officials and lack of interest	42
Mergers, conversions, and other	24
Temporary insurance certificates outstanding Dec. 31, 1973	22

**Federal Credit Unions
Operating December 31, 1973**



TOTAL: 12,688

REGION I (BOSTON)	2,499	REGION V (AUSTIN)	2,298
REGION II (HARRISBURG)	2,186	REGION VI (SAN FRANCISCO)	2,090
REGION III (ATLANTA)	1,570		
REGION IV (TOLEDO)	2,045		

NOTE: FEDERAL CREDIT UNIONS IN PUERTO RICO (36) AND THE VIRGIN ISLANDS (3) ARE INCLUDED IN REGION I; CANAL ZONE (7) IN REGION III; AND GUAM (4) IN REGION VI.

Since the temporary insurance program began on January 3, 1972, Federal credit union examiners have devoted 5,240 man-days to perform 1,404 examinations, and 2,948 man-days to conduct 2,785 supervision contacts of the two-year insured credit unions. This time does not include the numerous hours expended by regional and Washington office personnel in support of the program. State credit union leagues, trade associations, and credit union people also provided assistance in implementing the provisions of Public Law 92-221.

During the year, a total of 209 temporarily-insured credit unions entered liquidation for various reasons (Table 3). Fifty-five of these, with total shares of approximately \$1,655,000 were placed into involuntary liquidation under provisions of Title II of the Federal Credit Union Act. Payout to shareholders was made through the National Credit Union Share Insurance Fund. The Fund also guaranteed \$1,607,243 in outstanding loans of 91 credit unions, thus expediting their liquidation.

The 22 credit unions that remain insured as of December 31, 1973 under the temporary insurance program must qualify for regular insurance by January 3, 1974 or have their charters suspended or revoked as provided under Title II of the Federal Credit Union Act.

State Credit Union Applications for Federal Share Insurance.—In 1973, 373 State credit unions qualified for and obtained Federal share insurance. In the same period, 29 insurance certificates were canceled for various reasons. At the end of 1973 a total of 1,656 State credit unions were receiving the benefits of Federal share insurance. This represented 16% of the number of State credit unions operating in 44 States as shown in Table 4. The federally-insured State credit unions had estimated savings of over \$3.7 billion at yearend, or 30% of the savings of all State credit unions.

As a result of legislation requiring that credit unions in several States become federally-insured, a substantial increase in the number of applications for Federal share insurance by State credit unions during 1974 is expected.

Legal Developments

Legislation.—The President signed the Flood Disaster Protection Act of 1973 (Public Law 93-234) on December 31, 1973. This new law enacted by Congress generally requires that on and after March 2, 1974, no federally-insured credit union shall make any loan secured by improved real estate or a mobile home located or to be located in a designated flood area and in which flood insurance has been made available under the National Flood Insurance Act of 1968, unless the building or mobile home and any personal property securing the loan is adequately covered by flood insurance. In addition, on and after July 1, 1975, federally-insured credit unions will be prohibited from mak-

Table 4.—Number of Federally-Insured State-Chartered Credit Unions by Region and State, December 31, 1973

Standard Federal Administrative Region and State ¹	Federally-insured State credit unions	
	Number	As percent of total State credit unions ²
Total -----	1,656	16
Region I (Boston) -----	119	15
Connecticut ³ -----	78	45
Maine -----	4	13
Massachusetts ³ -----	13	3
New Hampshire -----	12	29
Rhode Island ³ -----	6	7
Vermont -----	6	8
Region II (New York) -----	22	4
New Jersey -----	6	10
New York ³ -----	16	15
Puerto Rico -----	—	—
Region III (Philadelphia) -----	63	18
Maryland ³ -----	6	16
Pennsylvania -----	48	32
Virginia -----	8	6
West Virginia -----	1	3
Region IV (Atlanta) -----	279	19
Alabama -----	36	29
Florida -----	46	15
Georgia -----	47	30
Kentucky -----	25	17
Mississippi -----	11	18
North Carolina ³ -----	32	15
South Carolina -----	47	100
Tennessee -----	35	8
Region V (Chicago) -----	751	20
Illinois -----	338	28
Indiana -----	28	24
Michigan -----	151	21
Minnesota -----	69	22
Ohio ³ -----	165	24
Wisconsin ^{3 4} -----	—	—
Region VI (Dallas-Ft. Worth) -----	157	19
Arkansas -----	13	19
Louisiana -----	25	25
New Mexico ³ -----	4	6
Oklahoma -----	20	32
Texas -----	95	18
Region VII (Kansas City) -----	89	8
Iowa -----	36	9
Kansas -----	20	9
Missouri -----	26	6
Nebraska -----	7	10
Region VIII (Denver) -----	36	7
Colorado -----	7	5
Montana -----	2	9
North Dakota -----	15	17
Utah ³ -----	12	5
Region IX (San Francisco) -----	110	17
Arizona -----	15	23
California -----	95	16
Region X (Seattle) -----	30	9
Idaho -----	7	7
Oregon -----	7	17
Washington -----	16	8

¹ In accordance with requirements of the Office of Management and Budget, States are grouped according to the Ten Standard Federal Administrative Regions. Six States—Alaska, Delaware, Hawaii, 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, 1973, except for Maine, Maryland, New Jersey, New York, Oklahoma, Vermont, and Washington (as of December 31, 1972).

³ Represents States that have State-administered share insurance programs for State-chartered credit unions except Utah, which has a private share insurance corporation.

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

ing loans secured by improved real estate or mobile homes in designated flood hazard areas unless the community in which the area is situated is then participating in the National Flood Insurance Program.

Regulations.—During 1973, several additions and modifications were made to the rules and regulations pertaining to credit unions as contained in Chapter VII of Title 12 of the Code of Federal Regulations.

Nondiscrimination Requirements.—On April 2, 1973, certain regulations became effective which relate to nondiscrimination requirements in real estate loan activities. These regulations appear in 12 CFR 701.31.

Student Loans.—On April 2, 1973, a revision to 12 CFR 701.25 became effective. This revision eliminates the requirements for an amendment to a Federal credit union's bylaws in order for such Federal credit union to make insured student loans.

Rebate Procedures for Federally-Insured Credit Unions Being Liquidated.—On April 2, 1973, 12 CFR Part 746 became effective. This regulation sets forth procedures regarding the rebate of premiums to a federally-insured credit union being liquidated, including criteria used to determine entitlement to and the amount of a rebate, the date used in determining a rebate, the time for repayment, and the circumstances under which the Administrator may recover the amount of the rebate.

Advisory Committee Procedures.—On May 31, 1973, 12 CFR 722 became effective. This regulation implements the provisions of the Federal Advisory Committee Act, Public Law 92-462, 86 Stat. 770. It deals with the meetings of the National Credit Union Board, procedures to be followed by both the Board and the public, procedures for gaining access to the records of the Board, and Administrative relief for denials of requests for records.

Miscellaneous Amendments.—On April 16, 1973, several technical changes were made to various parts of Chapter VII of Title 12 of the Code of Federal Regulations. These amendments involve no substantive changes to the regulations affected.

Litigation.—There was no litigation materially affecting the National Credit Union Administration pending at the end of 1973.

Creation of the Office of Inspection and Audit

In connection with the reorganization of NCUA's Washington Office in October 1973, the Administrator established the Office of Inspection and Audit.

NCUA is a highly decentralized agency with about 80% of its personnel located outside the central office and for this reason the Administrator depends on the field staff to represent him in the regions. It is essential, therefore, that he has assurance that his legal responsibilities are being met, NCUA policies and procedures are being effectively

and uniformly carried out, and the interests of Federal credit unions, their officials, and their members are being served by NCUA.

It will be the responsibility of the Office of Inspection and Audit to review regional office operations, as well as examination and supervision activities in the field.

Intergovernmental Personnel Act of 1970

During 1973, three intergovernmental share insurance conferences were conducted for 63 administrative, supervisory, and examiner personnel of 15 State credit union supervisory agencies, and Puerto Rico. The conference provided extensive coverage of the policies, procedures, and present program activities generated under Title II of the Federal Credit Union Act or the Federal share insurance program. The conferences are designed to provide opportunities for the sharing of ideas, information, and procedures between 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 under the Federal share insurance program.

Concurrent with the conduct of the share insurance conferences was the development of staff exchanges, or IPA mobility assignments, between NCUA and interested State supervisory agencies. These exchanges are implemented in accordance with the provisions of the Intergovernmental Personnel Act of 1970.

Revised Accounting Principles and Standards

During 1973, NCUA developed a statement of accounting principles and standards which will be used by Federal credit unions starting January 1975. These standards incorporate comments received from various credit unions and will be available by March 1974.

Planning Activities

On July 27, 1973, the Administrator approved and published the NCUA Long-Range Planning Philosophy and announced that all future administration planning, programming, and budgeting activity would be based on that philosophy. The staff study which led to the accepted planning philosophy addressed such activities and concepts as NCUA's supervision and examination procedures, NCUA leadership in the credit union industry, electronic funds transfer systems (EFTS), expanded credit union services to shareholders, the NCUA fee structure, the dual chartering policies and procedures, youth involvement in credit union activities, Federal/State relationships in the credit union industry, and others.

On December 10, 1973, the Administrator disseminated the NCUA Long-Range Operating Plan, the follow-on and companion piece of the NCUA Long-Range Planning Philosophy. This plan is designed to reflect specific goals and objectives and the staff activity necessary to

implement the recommendations contained in the planning philosophy; it serves to provide the basis for the Administrator's annual budget guidance letter for the fiscal year 1975 and the four years thereafter.

Throughout 1973 various planning and project groups, at the direction of the Administrator, undertook resolution of current and long-range problems. Among these was the revision of policies and procedures relative to the distribution of assets, liabilities, and capital in the case of a group of shareholders in a given credit union in "spinning-off" to form a new credit union. These revisions will be published in early 1974. Also, work was commenced on the revision of policies and procedures for credit union mergers and conversions; results of these efforts will be published about mid-1974.

Research

Research activities involve 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 unions and understanding credit and financial developments, and in 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 jobs and conducts various single-time projects as needs develop.

Chief among the regular statistical processing projects is the annual processing of more than 14,000 Financial and Statistical reports from federally-insured credit unions. This task involves substantial staff time and computer resources during the first six 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 sample of credit unions.

Apart from the regular statistical programs, several special single-time surveys and studies were conducted in 1973. They consist of the following:

- o A special canvass of the status of credit union charters was made among credit union leaders in 1973. Results were published in *Trends in Chartering and in Operating Credit Unions*, which was printed in limited quantity.

- o Two *Research Reports* were prepared in 1973. One, entitled *Interest Rates Charged on Loans by Credit Unions and Other Lenders*, was distributed in mid-1973. This *Report* was based partly on information developed by a special survey of interest rates being charged by credit unions on new car loans. Another *Research Report* entitled *Credit Unions and the Money "Crunch"* was completed in 1973 with publication scheduled for early 1974.

Public Information

As the year started, the *NCUA Bulletin* was renamed the *NCUA Quarterly* and expanded further to 64 pages to encompass more stories of credit union successes and more reports and pictures of winners in the several new awards programs. Distribution of the *Quarterly* is made to over 21 thousand credit union leaders and officials of the credit union industry, plus interested media.

A monthly progress report is prepared for legislative and administration leaders in Washington. The "Administrator's Monthly Column," commenting on substantive issues of interest mainly to State leagues is mailed to all credit union publications and State league officials. The weekly "Items of Current Interest" is prepared and distributed as a bulletin-type notification for all examiners in the field and the regional offices while the in-house *NCUA Report* has become increasingly a pictorial record of honors and activities of interest to all NCUA staffers.

Some 300 individually tailored press releases on newly chartered and insured Federal credit unions were prepared and distributed to select local media in 1973. A few dozen general news releases on NCUA matters of broad public interest were also prepared as news breaks warranted.

The Thrift Honor Awards Program for all Federal credit unions saw a grand total of 1,215 winners in 1973, compared to the all-time high of 1,573 in 1972. The Thrift Honor Award is given to each Federal credit union that qualifies within the top 14% of FCUs showing the largest average rate of increase in total savings, while at the same time reflecting conscientious efforts by credit union officials to encourage good thrift habits.

Electronic Data Processing

During September and October 1973, the NCUA's electronic data processing facility shifted its source of computer support from the Department of Agriculture Washington Computer Center to the Department of Justice Data Processing Center. In November 1973, NCUA assumed the responsibility for processing the annual F & S program which was formerly done by General Services Administration. This program involves processing about 14,000 annual call reports from federally-insured credit unions throughout the country. In De-

ember 1973, NCUA's EDP system was upgraded from a Data 100 Remote Terminal, Model 70, with 400 card-per-minute read capacity and 400 lines-per-minute print capacity to a Model 78 with 600 card-per-minute and lines-per-minute capacities.

Administrative and Financial Developments

Administration

A centralized recruitment program for new examiners and two programs for central training for all new examiner staff were implemented during 1973. The new examiner training program is divided into three phases with the latter phase designed as 80 hours of classroom training. Exclusive of the new examiner training program is a structured training course for the on-the-job trainers. These trainers are responsible for the field phase of the new examiner training.

NCUA again participated in a program to provide training in Federal credit union supervision and examination practices to representatives of foreign Governments in 1973. During 1973 such training was provided to representatives of Guatemala.

NCUA has also developed systems and procedures for in-house collection of loans of involuntary liquidating credit unions.

As of December 31, 1973, NCUA staff consisted of 491 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.

Financial Developments

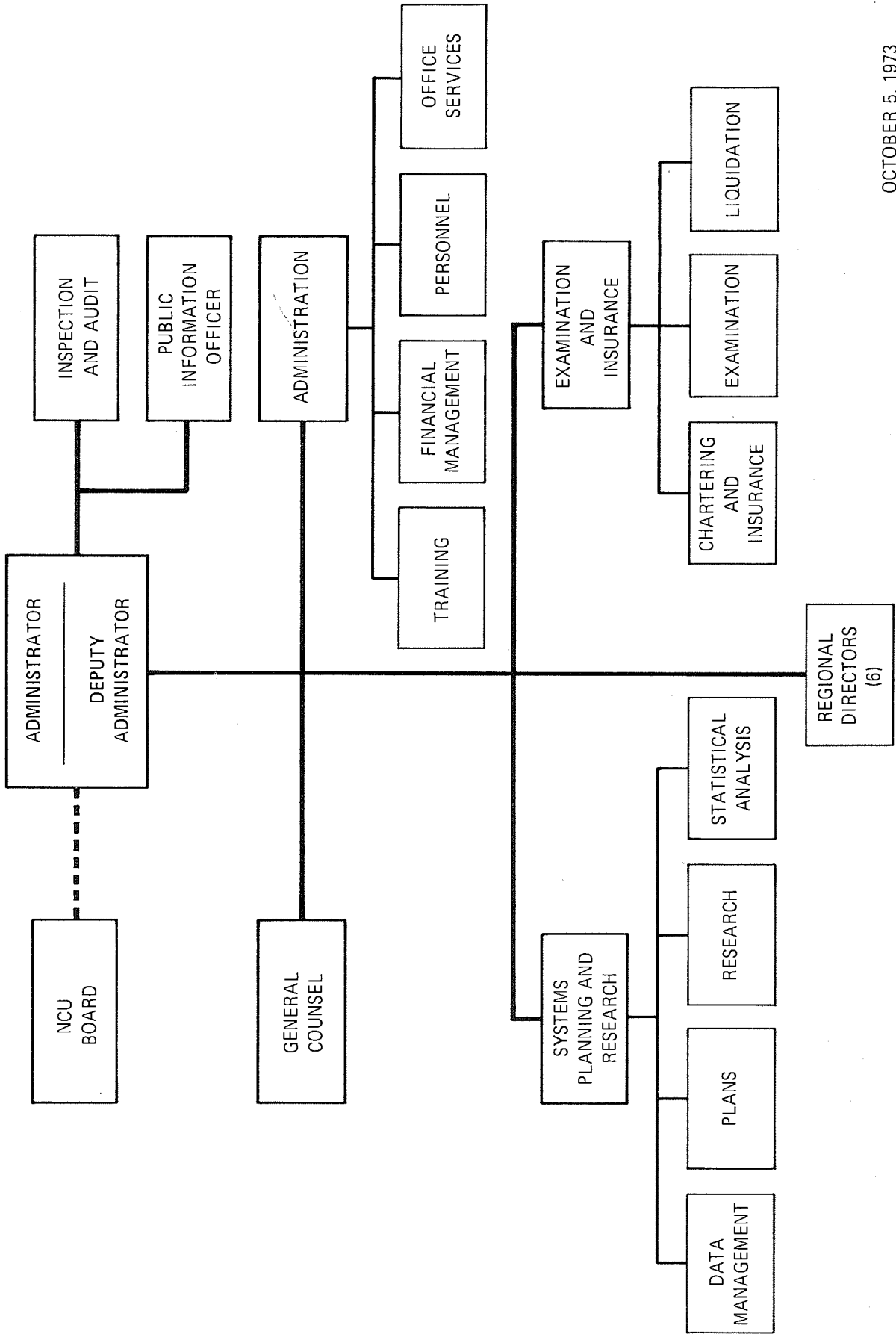
Operations of the National Credit Union Administration continue to be financed solely by funds received from Federal credit unions for services performed and from the National Credit Union Share Insur-

Table 5.—NCU Board Members and Employees of NCUA, December 31, 1973

Unit	Total	Central Office	Regional Office	Other Locations
National Credit Union Board*	7			7
Office of the Administrator	7	7		
Office of Administration	52	52		
Office of General Counsel	9	9		
Office of Inspection and Audit	2	2		
Office of Systems Planning and Research	16	16		
Office of Examination and Insurance	22	22		
Regional Offices:				
Region I (Boston, Mass.)	71		18	53
Region II (Harrisburg, Pa.)	67		17	50
Region III (Atlanta, Ga.)	44		14	30
Region IV (Toledo, Ohio)	59		17	42
Region V (Austin, Tex.)	69		19	50
Region VI (San Francisco, Calif.)	73		18	55
Total	498	108	103	287

* 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



ance Fund (NCUSIF) for services related to the share insurance program. Fees from examinations of Federal credit unions in 1973 amounted to \$7,340,380. Supervision fee income totaled \$2,192,000 and charter fees amounted to \$9,040. Supervision fee income reflects the 10% reduction announced in October 1972. On September 30, a further announcement was made that the supervision fee for 1973, payable in January 1974, would be reduced by 25%. Expenditures for calendar year 1973 were \$8,691,687 of which 80% was for salaries, benefits and travel costs mainly of examiner staff.

Insurance premiums received from federally-insured credit unions amounted to \$11,754,736, net of rebates paid to liquidated insured credit unions. The major portion of the NCUSIF (\$23,989,000 at year-end 1973) was invested in U.S. Government securities. Income from these investments amounted to \$1,599,854. Administrative expenses for the year amounted to \$1,677,653. In addition, net payouts to credit unions to prevent loss in liquidation amounted to \$1,105,100.

National Credit Union Board

The Chairman of the National Credit Union Board has provided the following report on the activities of the Board during 1973.

“During Calendar Year 1973, in carrying out its responsibilities under the law providing advice, counsel, and guidance to the Administrator, NCUA, the Board met in four 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 included.

- o *TWO YEAR PROVISIONALLY-INSURED CREDIT UNIONS.* At the 2nd Quarterly Meeting, the Administrator requested advice, counsel, and guidance as to what NCUA should or could do that was not being done to assist credit unions in this category to qualify for permanent insurance, and, specifically, if the Administrator should seek to legally extend the two-year law.

Board Comment & Recommendations. Recognizing the combined concerted efforts of NCUA, trade associations and leagues, in working with these credit unions in an effort to as-

sist them, the Board advised the Administrator that it had no recommendations for any action NCUA should take beyond the law that now exists.

- o *MANDATORY CHARGE-OFF REGULATION.* The Administrator informed the Board that this Regulation which proposes a change in the present accounting system now used by Federal credit unions as it relates to the charging off of delinquent loans, had met with considerable opposition from certain facets of the credit union industry.

Board Recommendation. The Board recommended that a “savings” clause be added which allowed the Board of Directors to make judgments in refinancing or extending loans.

Board Position. With the addition of the “savings” clause the Board was in favor of this Regulation. Recommended that the Administrator add the “savings” clause and place the Regulation in the Federal Register for proposed rule making with 30 days for comments.

Status. Action recommended by the Board taken by the Administrator with the view that subsequent comments would determine the status of the regulation.

- o *H.R. 7 (CENTRAL BANK BILL).* This Bill, or a like Bill, was discussed in detail during a 1972 Meeting. At that time, the Board was unanimously NOT in favor of the Bill. Subsequently, amendments were made to the Bill. In view of the amendments, the Board again discussed the Bill.

Board Position. Unanimously NOT in favor of H.R. 7 as amended.

- o *H.R. 19 (Modernization Act)*

Board Comments. At the 3rd Quarterly Meeting this Bill was discussed in detail. Each part of the Bill was addressed separately. The Board advised the Administrator of its position on each respective part considered feasible at that time. It was the consensus of the Board that certain aspects of the Bill were so vague that before it could be addressed properly clarification and elaboration would be required.

Board Recommendation. That the Bill be discussed at the first Quarterly Meeting in 1974.

Status. Agenda Item for Board Meeting scheduled for March 5, 1974.

- o *ADMINISTRATOR'S PROPOSED LEGISLATIVE PACKAGE FOR FIRST SESSION OF 93RD CONGRESS*

Board Comments. The Chairman recalled that over a year ago when this package was drafted by the Administrator, he called

a special meeting with the Board Chairman and officials of the major trade associations for the purpose of discussing the package and for comments and recommendations. All present at this meeting agreed with the Proposed Legislative Package and recommended that it be presented to the President.

Board Recommendation: The Chairman emphasized that this package contained important legislation for credit unions and that for a year he had attempted to get the Trade Associations to take some action to get the package to Congress, but to no avail. He stated that he desired to go on record again by saying that he considers the Trade Associations to be remiss in not having taken action and recommended that they do so quickly.

- o *DIVIDEND RATE RAISED TO 7%.* On September 13, 1973, during the Board Meeting, the Administrator advised the Board that after careful deliberation he considered that the maximum dividend rate permissible for Federal credit unions should be raised from 6% to 7%. The position of the Board was requested.

Board Position. The Board also favored the raising of the dividend rate from 6% to 7%.

Status. By Notice in the Federal Register, the Administrator announced that with the concurrence of the NCU Board, effective September 13, 1973, he authorized amendment to the Federal Credit Union Bylaws to increase the maximum permissible dividend rate from 6% to 7%.

- o *ADMINISTRATOR'S "GRASS ROOTS" COMMUNICATION PROGRAM.* The Administrator has initiated a program designed to establish a closer "grass roots" communication between NCUA and credit union organizations and people. The Administrator and certain members of his staff will meet personally in informal discussion with each respective State League Managing Director, League Boards of Directors, etc. The objective of such meetings is to establish a personal contact at the "grass roots" level of the credit union industry and by so doing gain a better understanding and insight of problems and/or desires of credit unions in general.

Board Comments. The Board considers this to be an outstanding program and commends the Administrator for his philosophical approach as it is an indication of his empathy for and desire to be responsive to the needs and desires of credit union members per se.

- o *FINANCIAL INSTITUTIONS ACT OF 1973*

Board Comments. A general discussion on this Act resulted in no firm conclusions except that certain individual Board Members voiced their opinion that credit unions were not given a

“fair shake” in this Act. General consensus is that there is a lack of understanding on the part of some members as to what is contained in this Act as it relates to credit unions.

Board Recommendation. To be discussed in detail at first Quarterly Meeting for 1974. Official Board Position will be withheld until that time.

Status. Agenda Item for Board Meeting scheduled for March 5, 1974.

—o *LEVEL OF ADMINISTRATOR*

Board Comments. Past efforts on the part of the Board to have the position of the Administrator raised from Level IV to Level III have not been productive.

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

Status. Board in the process of reinstating its efforts in this respect through appropriate legislative channels.

BOARD COMMENDATIONS.

The Board wishes to commend the Administrator for the outstanding job he has done and continues to do in this responsible position. His honesty, integrity, dedication and loyalty continue to serve as an inspiration to those truly dedicated to the betterment of the credit union program.

Specifically, the Board commends the Administrator for his outstanding efforts during the past year in assisting the two-year provisionally-insured Federal credit unions to qualify for permanent insurance. When the two-year law was passed, there was a total of 1,078 FCUs which would have to be liquidated on January 2, 1974, if during the two year period they did not qualify for permanent insurance. An evaluation by the NCUA revealed that poor management appeared to be the biggest problem in most of these credit unions. In view of this, the Administrator launched a program in which he solicited the aid of trade associations, leagues, and individual credit unions to join the NCUA in a joint effort to assist these credit unions in correcting their problems. As of December 31, 1973, there were only 22 two-year insured Federal credit unions remaining and by January 2, 1974, the number would be further reduced. The Board considers that this is a fine accomplishment and commends the Administrator, trade associations, participating leagues, and all who assisted for this achievement.

The composition of the NCU Board during Calendar Year 1973 remained the same except as follows:

- o Region III Member, Lorena C. Matthews, Oak Ridge, Tennessee, whose term expired on December 31, 1972, was reappointed for a full six year term.
- o William E. Young, Olympia, Washington, was appointed as the Region VI Member to fill the unexpired term of DuBois McGee which expired on December 31, 1973. The Region VI position had been vacant since the death of Mr. McGee on July 4, 1972.

This 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, 1934–73
[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

¹ Data for 1934–44 are partly estimated.

² First charter approved Oct. 1, 1934.