Board Action Bulletin

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NCUA BOARD MEETING RESULTS FOR MARCH 15, 2012

With Fewer Losses, Insurance Fund Ends 2011 in Stronger Position

Equity Transfer to Corporate Stabilization Fund Will Reduce Future Assessments

ALEXANDRIA, Va. (March 15, 2012) – The National Credit Union Administration (NCUA) Board convened its second open meeting of 2012 at the agency's headquarters here today and received an update on the performance of the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF ended 2011 in a stronger position as a result of fewer losses, portfolio growth, and a decline in at-risk credit unions, among other factors. As a result, NCUA transferred $278.6 million in equity from the NCUSIF to the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund).

The Board also unanimously approved two items:

- NCUA's Diversity and Inclusion Strategic Plan to comply with President Obama's Executive Order on workforce diversity at federal agencies, as well as the supplier diversity requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- A final rule making minor technical corrections and necessary updates identified during a scheduled review of NCUA's rules on fair housing, flood insurance, and agency structure.

Insurance Fund Shows Steady Improvements in 2011

The NCUSIF ended 2011 with an equity ratio of 1.30 percent after the year-end transfer from the NCUSIF to the Stabilization Fund. Before the transfer, the NCUSIF equity ratio had risen to 1.32 percent. The Federal Credit Union Act requires NCUA to transfer any NCUSIF equity above the normal operating level of 1.30 percent at year-end as long as the Stabilization Fund has outstanding borrowings from the U.S. Treasury.

"The effective management of the NCUSIF is one of our top priorities," said NCUA Board Chairman Debbie Matz. "The NCUSIF's steady improvements during 2011 demonstrate that NCUA has been performing this job very well. The equity ratio rose, the total number and assets of at-risk credit unions fell, and the NCUSIF portfolio grew. After applying our traditional methodology, we have also decreased NCUSIF reserves. Moreover, NCUA will apply the year-end reallocation from the NCUSIF to lower Corporate Stabilization Fund assessments."

NCUA calculated the 1.30 percent equity ratio for 2011 on an insured share base of $795.3 billion. By comparison, the NCUSIF equity ratio at the end of 2010 stood at 1.28 percent on an insured share base of $757.9 billion. The growth in credit union insured shares for 2011 was nearly 5 percent.

The value of the NCUSIF portfolio grew about 4 percent during 2011 to close the year with a value of $10.7 billion.

Other positive, year-over-year trends contained in the 2011 year-end NCUSIF report presented to the Board include:

- Credit union failures dropped by more than 40 percent to 16 failures from 28 failures.
- The total amount of losses associated with credit union failures dropped 75 percent to $55 million from $221 million.
- The total number of CAMEL code 3, 4 and 5 credit unions dropped to 2,150 from 2,192.
- The total assets of CAMEL code 4 and 5 credit unions fell 32 percent to $29.4 billion from $43.3 billion.
- The total assets of CAMEL code 3 credit unions decreased 9 percent to $142.5 billion from $156.7 billion.

On the strength of these positive trends and other factors, NCUA's robust reserving methodology allowed for a reduction in the NCUSIF's reserves by 51 percent to $606.6 million at year-end 2011 from $1.2 billion at year-end 2010.

In light of the steady improvements, NCUA did not collect an NCUSIF premium in 2011. At the open Board meeting in November 2011, Chairman Matz announced a reduction in the projected NCUSIF premium range for 2012 down to 0–6 basis points.

Additionally, the Chief Financial Officer reported on the Stabilization Fund's operations based on preliminary and unaudited information. The condition of the Stabilization Fund remained stable in 2011. During 2011, the Total Net Position of the Stabilization Fund improved by $2.2 billion. The Stabilization Fund continues to have $3.5 billion in outstanding borrowings with the U.S. Treasury.

Strategic Plan Advances NCUA Workforce and Supplier Diversity

NCUA's newly adopted Diversity and Inclusion Strategic Plan for 2012–2016 complies with President Obama's Executive Order 13583, which aims to promote diversity and inclusion throughout the federal government workforce, as well as the supplier diversity requirements established by section 342 of the Dodd-Frank Act (Public Law 111-203).

"Just over a year ago, we created the Office of Minority and Women Inclusion in response to the Dodd-Frank Act, and we have now adopted a strategic plan that will add more momentum toward building and sustaining a diverse NCUA workforce," said Chairman Matz. "The plan brings into sharper focus our ongoing efforts to advance equal opportunity, diversity, and inclusion within NCUA."

The strategic plan complies with the *Government-wide Diversity and Inclusion Strategic Plan 2011* and the goals outlined in guidance from the Office of Personnel Management. Key workforce goals in NCUA's strategic plan include:

- Workforce Diversity. Recruit from a diverse, qualified group of potential applicants to secure a high performing workforce drawn from all segments of American society.
- Workplace Inclusion. Cultivate an environment that encourages collaboration, flexibility, and fairness to enable individuals to contribute to their full potential.
- Sustainability. Develop structures and strategies to equip leaders with the ability to manage diversity, be accountable, measure results, refine approaches on the basis of such data, and institutionalize a culture of inclusion.

Additionally, the strategic plan requires NCUA to develop and implement a policy to improve the inclusion of minority- and women-owned businesses in NCUA's contracting awards. NCUA has already developed this supplier policy and will implement it in April.

Rules Affecting Fair Housing, Flood Insurance, and Agency Structure Updated

NCUA reviews each of its rules on a three-year schedule in order to update, clarify, and simplify existing regulations. The rolling review also aims to eliminate redundant or unnecessary rules. As part of the 2011 review cycle, NCUA identified the need for minor technical corrections to the rules governing fair housing, flood insurance, and NCUA's structure.

As adopted by the Board, the final rule:

- Updates nondiscrimination requirements for credit union operations (Part 701) to reflect the recent designation of NCUA's Office of Consumer Protection to hear Fair Housing Act and Equal Credit Opportunity Act complaints. Credit unions engaging in real estate-related lending will have a reasonable amount of time to post updated Equal Housing Lender signs in public areas.
- Modifies the requirements of credit unions to use a standard flood hazard determination form (Part 760) to replace the Federal Emergency Management Administration's mailing address with the www.fema.gov website address.
- Amends the rule on NCUA's organization (Section 790) to add the Office of Minority and Women Inclusion created in 2011, incorporate the Division of Capital Markets into the Office of Examination and Insurance, change the title of the Chief Financial Officer, and update regional director descriptions.

The final rule becomes effective upon publication in the *Federal Register*.

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