October 2008 Number 10

NCUA News National Credit Union Administration

Your savings federally insured to at least $250,000
and backed by the full faith and credit of the United States Government
NCUA
National Credit Union Administration, a U.S. Government Agency

NCUA increases insurance, reassures consumers

Comprehensive summary

President George W. Bush signed into law the "Emergency Economic Stabilization Act of 2008" October 3, 2008, which temporarily increases federal deposit insurance coverage. The NCUA Board amended its insurance regulation to comply with the coverage increase and also eliminate the concept of "qualified beneficiary" in determining NCUSIF share insurance coverage. The rule changes serve to maintain parity between insurance coverage offered by NCUA and the FDIC. NCUA is updating all related publications to reflect these changes.

"Enhancing federal insurance coverage for credit union members sends a positive message of reassurance during troubling economic times. Recent market events have shaken the confidence that many Americans have in our system of depository institutions, and I appreciate the steps Congress has taken to address those concerns," Chairman Michael E. Fryzel said.

Statutory share insurance change: $250,000

Effective October 3, 2008, through December 31, 2009, minimum NCUSIF coverage increased from $100,000 to $250,000 on member share accounts.

The increase in the minimum share insurance coverage does not result in an immediate increase to a credit union share insurance premium or operating fee. Changes will be made to the 5300 report for the December 2008 reporting cycle to address the new coverage level.

New qualified beneficiary coverage

To maintain parity with FDIC insurance coverage, the NCUA Board approved a change to Part 745.4 of the NCUA Rules and Regulations eliminating the concept of "qualified beneficiary." Beneficiaries are now defined as natural persons as well as charitable organizations and other non-profit entities recognized as such under the Internal Revenue Code of 1986. For members with revocable trust accounts totaling no more than $1,250,000, coverage will be determined without regard to the proportional beneficial interest of each beneficiary in the trust.

Under the amended rules, a trust account owner with up to five different beneficiaries named in all of his or her revocable trust accounts at one NCUA-insured institution will be insured up to $250,000 per beneficiary. Revocable trust account owners with more than $1,250,000 and more than five different beneficiaries named in the trust(s) will be insured for the greater of either: $1,250,000 (5 X $250,000) or the aggregate amount of all the beneficiaries' interests in the trust(s), limited to $250,000 per beneficiary.

Federal insurance protection builds public confidence

With the volume of news regarding turbulence in the money market, NCUA executed numerous initiatives to ensure

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September 25, 2008, NCUA Board room—Chairman Michael E. Fryzel with Vice Chairman Rodney Hood and Board Member Gigi Hyland before Chairman Fryzel presides at his first NCUA Board meeting.

HIGHLIGHTS

federally insured credit union members are aware their accounts are safe and protected by federal insurance.

Chairman Michael Fryzel emailed two video messages to credit unions encouraging them to talk to their members. "Make certain your members are aware their funds are safe, secure and insured up to $250,000 in federally insured credit unions. By doing this you will be serving your members and helping them understand how their funds are insured. Please join NCUA in this effort to help maintain continued confidence in our credit union system," Chairman Fryzel said.

NCUA activated an Insurance Call Center devoted to answering insurance-related questions. From 8 a.m. to 6 p.m. the call center is staffed with NCUA insurance experts from across the country. Still in operation, between September 20 and October 10, the call center averaged 500 calls a day.

Uncle Sam lobby poster

NCUA created and sent all federally insured credit unions Uncle Sam posters to emphasize member deposits are backed by the full faith and credit of the U.S. government. Because the posters were shipped just days before the passage of the Emergency Economic Stabilization Act, they do not reflect the increase in coverage.

NCUA News

National Credit Union Administration

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures most credit unions.

Michael E. Fryzel, *Chairman*
Rodney E. Hood, *Vice Chairman*
Christiane Gigi Hyland, *Board Member*

Information about NCUA and its services may be secured by contacting 703-518-6330.

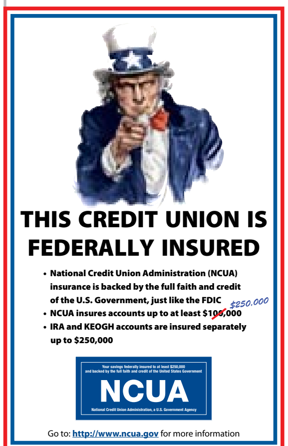
Office of Public & Congressional Affairs
Cherie Umbel, *Editor*

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Credit union managers have two options:

- Strike through the $100,000 on the poster and write in $250,000 in a visually noticeable way; or
- Download and print the updated poster, with the new $250,000 limit, which is available on NCUA's website.

Visit http://www.ncua.gov/ShareInsurance/Index.htm to find the link for the poster and other downloadable images.



NCUA encourages credit unions to prominently display the posters in the lobby. This is important reassurance for your members at a particularly volatile time for all financial institutions.

Print ads, PSAs, and webinar spread the news

NCUA also created and distributed similar print advertisement for newspapers. USA Today newspaper ran the initial print advertisement October 2. Uncle Sam print advertisements appeared in 25 major papers during October and into the first week of November.

Public service announcements were emailed to radio stations across the country during October. To ensure radio listeners hear the message—federally insured credit unions protect members with a minimum $250,000 in federal insurance—NCUA is also placing 10 and 15 second insurance messages in various radio markets across the country.

Board Member Hyland hosted a webinar on insurance protection October 7, conveying important insurance information to over 3,300 participants. (See article on page 6)

Comprehensive Tool Kit

NCUA created an electronic tool kit to assist credit unions and help members understand their insurance protection. Available online at http://www.ncua.gov/ShareInsurance/Index.htm, the tool kit links to most NCUA insurance-related resources, including the following:

- Share Insurance Tool Kit, *Is My Credit Union Federally Insured?*
- NCUA Chairman Michael E. Fryzel Updates the Credit Union Industry on Recent Congressional Activity- Video
- Share Insurance 101 Webinar PowerPoint
- Your Insured Funds Brochure (English)
- How Your Accounts Are Federally Insured Brochure (English)
- NCUA Share Insurance Estimator
- Letter to Credit Unions 08-CU-18, Educating Members on Share Insurance Coverage
- Media Releases Related to Insurance Protection
- Insurance Poster & Print Advertisement
- NCUA Insurance FAQ Sheet

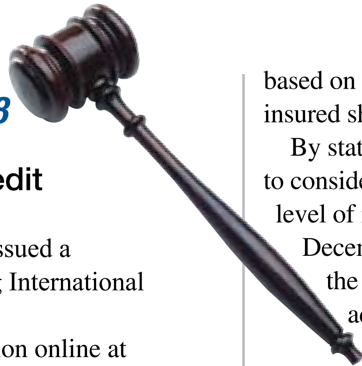
New placards, signs and brochures issued

NCUA has distributed 5 new blue insurance signs and placards denoting $250,000 coverage and 100 new "Your Insured Funds" and "How Your Accounts Are Federally Insured" brochures to each federally insured credit union. Additional signs, placards and brochures are available to order from NCUA Publications, 703.518.6349 or online at http://www.ncua.gov/Publications/pub_avail/pub_avail.html. Credit unions can also download revised signs and placards in various formats via the Share Insurance Toolkit, http://www.ncua.gov/ShareInsurance/Index.htm. The Share Insurance Estimator is also updated, and available.

Credit union managers are encouraged to post a web-link to the NCUA Insurance Toolkit in a prominent location so members have quick access to up-to-date insurance information.

Please share these changes with your members and remind them that not one penny of federally insured shares has ever been lost. America's 89 million credit union members will greatly benefit from the above changes.

Board actions October 16, 2008



International Credit Union Day

The NCUA Board issued a proclamation honoring International Credit Union Day.

View the proclamation online at [http://www.ncua.gov/news/press releases/2008/MA08-1016a.htm](http://www.ncua.gov/news/press_releases/2008/MA08-1016a.htm)

Share insurance rule amended

Chairman Michael Fryzel announced that by notation vote October 15, 2008, the NCUA Board amended the share insurance rule to reflect the increase in standard maximum coverage from $100,000 to $250,000, in compliance with the Emergency Economic Stabilization Act of 2008. Also, the rule was amended to improve member insurance protection on "custodial loan accounts," renamed "mortgage serving accounts," identical to a recent FDIC deposit insurance amendment.

NCUSIF third quarter report

The NCUA Chief Financial Officer reported to the NCUA Board that through the first nine months of 2008 the National Credit Union Share Insurance Fund's (NCUSIF) gross income was $220.2 million, operating expense was $61.6 million, insurance loss expense was $137.2 million, and net income was $21.5 million.

Thirteen federally insured credit unions have failed in 2008. Twelve were involuntary liquidations, of which four were purchase and assumptions, and one was an assisted merger. The number of problem code 4 and 5 credit unions has risen from 211 at year-end 2007 to 246 at September 30. These institutions represent 2.08 percent of total insured shares. Sixty-four percent of these problem code credit unions have less than $10 million in shares.

NCUSIF insurance loss expense totaled $137.2 million through September 30, 2008. The Provision for CU Losses (Reserves) account totaled $128.6 million on September 30, down from the August month-end level of $138.6 million.

The NCUSIF equity ratio is 1.28 percent, based on insured shares of $601.6 billion at June 30, 2008. The NCUSIF is expected to end the year with a 1.28 percent equity ratio based on estimated 6.85 percent annual insured share growth.

By statute, NCUSIF is not permitted to consider the temporary increase in the level of insured shares to $250,000 (thru December 31, 2009), when calculating the 1 percent capitalization deposit adjustment or setting premium charges for credit unions.

The NCUA Chief Financial Officer will report on the condition of the NCUSIF at both the November and December Board meetings.

Revisions proposed to shared branch signs

The NCUA Board issued proposed rule §740.4 for federally insured credit unions participating in shared branching networks that would require tellers accepting share deposits for both federally insured and non-federally insured credit unions to post a second sign adjacent to the NCUA insurance sign that states not all of the credit unions served by the teller are federally insured and members should contact their credit union for more information.

Proposed revisions would replace current requirements that the second sign list each federally insured credit union served by the teller along with a statement that only these credit unions are federally insured. The proposal was issued with a 30-day comment period.

Final incidental powers rule issued

The NCUA Board issued a final rule change to Part 721, Incidental Powers, to update and clarify the activities NCUA pre-approves as incidental powers. The rule change is effective 30 days after publication in the Federal Register.

Illustrations of permissible activities have been added to the incidental powers categories of correspondent services, operational programs, and finder activities. The illustrations provide useful information to federal credit unions regarding permissible activities.

The final rule clarifies federal credit unions may provide correspondent services to foreign as well as federal or state-chartered credit unions. The rule also clarifies the category of finder activities and includes an FCU's negotiation of group discounts and the performance of administrative functions for outside vendors. The final rule also adds payroll services to the operational programs category.

Board actions September 25, 2008

Final rule modifies advertising requirements

The NCUA Board issued a final rule change to revise Part 740, the rule requiring federally insured credit unions to use the official insurance sign and official advertising statement. The rule change permits credit unions to use the basic form of the official advertising statement, a shortened form, or the official sign in advertisements.

The Federal Credit Union Act requires insured credit unions to display signs onsite indicating accounts are insured and also to include a statement that accounts are federally insured in all advertisements. The official advertising statement is "This credit union is federally insured by the National Credit Union Administration." Insured credit unions, at their option, may use the short title "Federally insured by NCUA" or a reproduction of the official sign as the official advertising statement. However, the advertising statement must be in a size and print that is clearly legible.

Proposed regulatory flexibility program amendments issued

The NCUA Board issued a proposed amendment to the RegFlex rule, Part 742, to provide additional flexibility to the approximately 3,500 qualifying RegFlex credit unions when acquiring unimproved land for future expansion.

Currently, when an FCU acquires unimproved land for future expansion, it must partially occupy a completed premises within three years or obtain a waiver. The proposed amendment would increase the three years to six years for RegFlex FCUs without a waiver. NCUA also proposes conforming amendments to its fixed asset rule to be consistent with the RegFlex changes. The proposal was issued with a 60-day comment period.

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Date: Saturday, November 15, 2008
Who: Vice Chairman Rodney E. Hood
Event: AACUL Winter Meeting
Location: Maui, HI
Contact: Sally Thompson at
sridgely@ncua.gov

Date: Tuesday, November 18, 2008
Who: Vice Chairman Rodney E. Hood
Event: AACU Annual Meeting
Location: Las Vegas, NV
Contact: Sally Thompson at
sridgely@ncua.gov

Board actions continued from page 3

Freedom of Information Act amendments proposed

The NCUA Board issued final revisions to Part 792 to implement recent Freedom of Information Act (FOIA) amendments; clarify procedures for accessing records under both the Freedom of Information and the Privacy Act; and make technical changes addressing grammar, punctuation, and cross-references in both sections of the regulation.

The final rule reflects recent FOIA amendments, including time limits for complying with requests. Changes to the Privacy Act reflect NCUA efforts to clarify the procedures individuals use to obtain notification of whether an NCUA system of records contains information about the individual and how to access or amend a record.

Board votes are unanimous unless otherwise indicated

Hood to firefighters: "You know the meaning of risk"

NCUA Vice Chairman Rodney E. Hood addressed the Firefighters National Credit Union Summit in Miami, Fla., October 17, 2008, noting that credit unions can be part of the solution to the current economic crisis. Vice Chairman's Hood message of trust and confidence in America's credit union system reassured attendees of his dedication and commitment to oversight and regulation of the credit union industry.

"As firefighters, you are all heroes in your local communities—putting others lives before your own," Vice Chairman Hood said. "Your bravery leaves an indelible mark on the communities you serve and we are all grateful for the risks you take to preserve our security. I also want to congratulate you on formation of the new Coalition of Firefighters Credit Unions (CFCU)…I am thrilled to see such a proactive, innovative effort."

Firefighters' evaluate risk on a daily basis, making immediate, yet measured decisions is a job requirement. Such standards can and should be applied to decision making in the financial arena as well. Mr. Hood reassured the attendees that the credit union system remains secure during these turbulent economic times.

"With an average net-worth of 11.04 percent representing over $89.6 billion, you continue to provide your member-owners with access to affordable capital," Hood said as he outlined strategic steps NCUA is taking to preserve confidence and proactively mitigate risk, including:

- National advertising campaign on credit union insurance protection;
- NCUA call center devoted to fielding sharing insurance questions;
- Credit union inclusion in the Emergency Economic Stabilization Act;
- Attention to proactive risk management through a new risk focused examination.

President George Bush recently signed into law the Emergency Economic Stabilization Act, which temporarily increases federal deposit insurance coverage. The law provided an immediate increase in minimum NCUSIF coverage from $100,000 to $250,000 on member share accounts through December 31, 2009.

NCUA launched an advertising campaign featuring Uncle Sam in the national news media to inform member owners that their funds are safe.

"In the midst of financial market turbulence, it is imperative that credit union member owners know that their federally insured share accounts are insured and backed by the full faith and credit of the United States Government," Hood said.

In addition to raising the level of coverage on share deposits, the Emergency Economic Stabilization Act of 2008 raised the Central Liquidity Facility borrowing cap to $41.5 billion from $1.5 billion, and further allows NCUA to act in a consultative role with other regulators in determining how the Troubled Asset Purchasing Program will work.

"This enables NCUA to have input on the rules under which assets are accepted by the federal government—greatly assisting NCUA in mitigating some of the current and potential difficulties facing the credit union industry," Mr. Hood assured the audience. "Further, the NCUA Board recently adopted changes to simplify the rule determining the coverage on revocable trust accounts—commonly referred to as payable-on-death accounts or living trust accounts. This rule change eliminates the concept of qualifying beneficiaries… coverage is based on naming virtually any beneficiary."

"We need everyone to work toward a common goal of creating a safe, secure financial industry for the entire Nation," Mr. Hood said in closing. "Ronald Reagan emphasized that America is a shining city upon a hill—a hill where beacon lights guide freedom loving people from everywhere…ladies and gentlemen. It is my firm belief that the city upon a hill was built on the shoulders of our firefighters. You are indeed the cornerstone upon which that great American City is built and I am honored to have had the opportunity to join you today."

Hyland to AICPA: credit unions remain sound

National Credit Union Administration Board Member Gigi Hyland discussed the state of the credit union industry, congressional and regulatory responses to the financial crisis, and current examination issues before the AICPA National Conference on Credit Unions October 20, 2008, in San Francisco, Calif. Conference attendees included certified public accountants from accounting firms, internal auditors and credit union CFOs and CEOs.

"The nation's economy and, specifically, the financial services industry finds itself in a dynamic and fluid situation," Board Member Hyland said. "The financial condition of credit unions remains sound as evidenced by continued high net worth levels. That said, credit unions are not immune from the ripple effects of the credit freeze and subprime mortgage crisis."

Board Member Hyland noted that credit unions must remain vigilant in asset-liability management and liquidity management planning to weather the current crisis. She outlined recent congressional and regulatory actions that have been taken to respond to the crisis, including:

- Passage of the Continuing Resolution, which lifts the Central Liquidity Facility's (CLF) borrowing cap to full statutory authority of $41 billion;
- Passage of the Emergency Economic Stabilization Act that increases federal share insurance coverage to $250,000 and provides NCUA a consultative role with other regulators to determine how the Troubled Asset Repurchasing Program (TARP) will work;
- New NCUA rules that align NCUA's share insurance rules with the new law as well as with the FDIC's efforts;
- A new NCUA rule that provides a guarantee on corporate credit union unsecured debt obligations to align with the FDIC's efforts; and
- An intense public awareness campaign that highlights federal share insurance protection.

Board Member Hyland also touched upon key examination issues for this year. She outlined the guidance NCUA has provided to credit unions on due diligence and noted, "Credit unions need to partner with vendors to effectively serve members. However, credit unions must take the time to understand what they are buying from a vendor, to implement programs slowly and to monitor and manage the risks associated with the implementation of new products and services."

During the half-hour question and answer portion of her presentation, Board Member Hyland responded to a variety of questions on the health of the corporate credit union system and usage of the CLF.

"Several corporate credit unions have been impacted by the market dislocation and this has challenged liquidity management. Credit unions should contact their corporates with any questions but should also consider using the CLF as an alternate liquidity source for their borrowing needs while this market crisis continues."

In conclusion, Board Member Hyland underscored the value of accounting professionals providing their expertise to credit unions.

"Not so long ago, economic turbulence and distress gave birth to a system of cooperative finance in this country known as the credit union movement. Next year, NCUA will celebrate the 75th anniversary of the Federal Credit Union Act. Today we live in different but equally challenging times. With these challenges come opportunities for credit unions to serve and meet all aspects of their members' needs. Your continued belief in credit unions as an important part of the financial services industry and your willingness to provide professional advice and guidance to credit unions remain critical during these times of economic turmoil," Hyland stated.

CLF available for liquidity

National Credit Union Administration Chairman Michael E. Fryzel issued a *Letter to Credit Unions 08-CU-23* October 17 reminding credit unions that the Central Liquidity Facility (CLF) is available as a source of contingent liquidity during the current market turbulence.

"I am extremely pleased that Congress responded favorably to NCUA's request and granted the Central Liquidity Facility authority to lend to its statutorily loan level of $41 billion," said NCUA Chairman Michael E. Fryzel. "We built a careful case in asking for the authority based on the concept that I wanted to be proactive and preventative, rather than reactive during a crisis. I commend Congress for providing NCUA an additional tool with which to address liquidity needs that may develop."

"The CLF now has approximately $41.5 billion available to meet back-up liquidity demands. Credit unions should carefully monitor liquidity and if necessary, utilize the CLF on an as-needed basis," Chairman Fryzel stated. "As I have noted, NCUA encourages appropriate use of the CLF as another means to maintain liquidity and confidence in the credit union system during these uncertain times."

The CLF lends to credit unions that are creditworthy and demonstrate liquidity needs. A credit union generally is creditworthy if it is viable and not in danger of failing. Three forms of loans are available:

- Short-term adjustment credits;
- Seasonal credits; and
- Protracted adjustment credits.

Credit unions have two ways to apply for a CLF loan:

- Through a corporate credit union; or
- As a regular member.

CLF Operating Circulars detail the loan process online at http://www.ncua.gov/CLF/index.htm. If you need additional information, please contact your regional office, state supervisory authority, or contact the CLF at 703-518-6620.

NCUA insurance webinar attracts 3,300

NCUA Board Member Gigi Hyland hosted a webinar, *Share Insurance 101*, October 7, 2008, featuring the fundamentals of share insurance, which drew over 3,300 participants. The webinar provided a basic review of federal share insurance regulations as well as a discussion of available resources and operational considerations. An interactive Q&A session was an integral part of the presentation.

"During this time of economic turmoil, it's critical to do all we can to maintain public confidence in credit unions," noted Board Member Gigi Hyland. "A key component of maintaining that confidence is raising consumer and public awareness of the value and attributes of federal share insurance. This interactive webinar was designed to do just that."

Frank Kressman, the NCUA attorney responsible for drafting share insurance regulations, and Robert Leonard, an insurance expert within the Office of Examination and Insurance, focused their presentations on public confidence, public awareness and "economic challenges."

Kressman discussed legal and regulatory requirements, including an explanation of coverage on different types of accounts and how to structure accounts to gain additional coverage. Addressing operational requirements, Leonard explained the origination, health and stability of the National Credit Union Share Insurance Fund (Fund), as well as reputation and compliance risk associated with the Fund.

"This is the fourth webinar I've held," Board Member Hyland commented. "Webinar technology is a win-win for everyone. It allows NCUA to communicate timely issues and allows credit unions the convenience of staying in their own shops rather than traveling."

"Over the past 18 months, we've witnessed a disruption in the mortgage and credit markets, Chairman Michael Fryzel said. "Board Member Hyland's webinar provided an excellent opportunity to convey share insurance information to a wide audience. Credit unions and NCUA have a shared responsibility to make certain that consumers are well informed and confident that their credit union deposits are federally insured and backed by the full faith and credit of the federal government."

"This webinar provided a wealth of information and resources that credit unions can use with their members, including links to the recently updated share insurance signs and the Share Insurance Tool Kit on NCUA's website. Credit unions should feel free to establish hyperlinks on their websites to the information so consumers can be informed about the insurance status of their accounts," Board Member Hyland said.

The webinar PowerPoint presentation is available on the Share Insurance Tool Kit at http://www.ncua.gov/ShareInsurance/Index.htm. A media advisory will be issued when the Share Insurance 101 Webinar becomes available online at www.ncua.gov.

NCUA guarantees corporate unsecured debt

NCUA approved a temporary corporate credit union liquidity guarantee program that will operate from October 16, 2008, through June 30, 2009. Effective October 16, 2008, the National Credit Union Share Insurance Fund (NCUSIF) is providing federally insured corporate credit unions with a 100 percent guarantee on new unsecured debt obligations, subject to terms detailed in the program.

The NCUSIF guarantee applies to new unsecured debt obligations issued by eligible corporate credit unions on or before June 30, 2009, and maturing on or before June 30, 2012. This includes promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt.

The amount of debt obligations covered by the guarantee per eligible corporate credit union may not exceed the greater of:

- 100 percent of the eligible corporate credit union's maximum unsecured debt obligations outstanding during the period September 30, 2007 through September 30, 2008;
- An amount determined by written approval of the director, Office of Corporate Credit Unions, with the prior concurrence of the director, Office of Examination and Insurance, not to exceed $100 million; or
- An amount determined by the NCUA Board.

All corporate credit unions are automatically covered for debt obligations issued through November 17, 2008. Corporate credit unions may elect to opt out of the program by providing notice to the Office of Corporate Credit Unions.

The NCUSIF will charge participating corporate credit unions a fee of 75 basis points per year on the outstanding balance of guaranteed debt obligations. The program is similar to the "Temporary Liquidity Guarantee Program" announced by the Federal Deposit Insurance Corporation October 14, 2008, and is intended to provide corporate credit unions with competitive standing in the debt market.

"While this new Board action is directed at addressing corporate liquidity issues, I think it is important that natural person credit unions be fully aware of all of their options in this very tight and difficult liquidity situation, including the Central Liquidity Facility," said NCUA Chairman Michael F. Fryzel. "The standards for CLF borrowing are stringent, and our evaluation of requests will be thorough, but credit unions should know that their short-term liquidity needs can be addressed through CLF borrowings. I encourage all appropriate use of the CLF as another means to maintain liquidity and confidence in the credit union system during these uncertain times."

NCUA will soon be issuing corporate credit unions appropriate procedures for taking part in the Credit Union Loan Guaranty Program announced in October.

See CLF article on page 5.

October has played a key role in the National Credit Union Share Insurance Fund (NCUSIF) and begins a series of NCUA News articles honoring the history and the future of NCUA and credit unions.

October is key in NCUSIF history

The NCUSIF was established October 19, 1970, to protect members' accounts in federally insured credit unions in the unlikely event of a credit union failure. NCUSIF covers member accounts, dollar-for-dollar up to the insurance limit, including principal and posted dividends through the date of a failure.

Share insurance coverage was revamped numerous times throughout the decades. When formed, October 19, 1970, insurance coverage limits were $20,000. Four years later, October 29, 1974, Congress saw the need to increase insurance coverage and raised the maximum amount of insurance on member shares to $40,000. In March of 1980, federally insured credit union member account coverage was increased to $100,000. Share insurance did not see another change until April 1, 2006, when IRA and KEOGH retirement accounts gained $250,000 of coverage.

As the United States economy experienced the repercussions of subprime mortgage lending, tight liquidity, and significant fluctuations in the financial markets, concern grew regarding the security of people's money. To help allay concerns, Congress increased share insurance coverage to $250,000 effective October 3, 2008 through December 31, 2009.

Perhaps the most significant internal adjustment to the NCUSIF came in 1984 when Congress adopted legislation to restructure the Fund. In October 1984, NCUA implemented the NCUSIF capitalization legislation requiring federally insured credit unions to submit and maintain 1 percent of insured shares in the Fund. In January 1985, nearly 15,300 federally insured credit unions deposited $761 million, raising the Fund equity ratio from 0.27 percent to over 1.30 percent within a few days.

The NCUSIF has maintained a equity ratio well above 1.20 percent since it was capitalized and has returned excess funds to federally insured credit unions numerous times when the equity ratio exceeded its statutory limit of 1.30 percent.

Share insurance has protected member's funds for roughly 40 years and will continue to do so in the future. The NCUSIF continues to provide reassurance, protection and stability for many of America's credit unions.

Today's credit unions foretell a bright future

Federal credit unions have a rich 75 year history of "people helping people" fostering a dedicated commitment of service to their members. For three quarters of a century, federal credit unions have expanded, spread their wings and weathered the most rocky storms.

Born during the depression era, over time federal credit unions have held fast to the belief that their cooperative "not for profit, but for service" philosophy is a positive way to serve the American people.

Today, credit unions serve people in cities and communities across the United States. Nearly 8,000 federally insured credit unions in the United States serve almost 90 million members. Credit union asset sizes range from $13,000 to $35 billion, while the average asset size of federally insured credit unions is over $100 million—a 20 percent increase in the past 10 years!

Primarily because of mergers, the number of federally insured credit unions is declining. However, since 1998 federally insured credit unions have experienced over 100 percent growth in total assets, total shares and total loans, signaling to all that credit unions are thriving and here to stay.

The credit union movement is strong and NCUA is committed to fostering a safe, sound industry. There are 7,972 federally insured credit unions in the United States—4,965 are federal credit unions and 3,016 are state-chartered credit unions. Only 163 state-chartered credit unions are privately insured. Twenty-eight corporate credit unions—best described as "credit unions for credit unions"—provide investment and liquidity services to subscriber credit unions.

NCUA insures federally insured credit union member accounts to $250,000 and provides oversight and supervision to the 7,972 federally insured credit unions that represent 98 percent of all credit unions.

NCUA's focus, especially in these financially uncertain times, is to maintain confidence in our unique system of cooperative financial service as credit unions and NCUA steadily move toward the future for another successful 75 years.

Fryzel signals strong, assertive approach

NCUA Chairman Michael E. Fryzel presented a major address to the National Association of Federal Credit Unions Sept 17, 2008, announcing his intent to take strong, decisive steps to preserve confidence in the credit union industry.

"Now is not the time for a 'business as usual,' passive approach…Where I see a balance sheet problem, I will move decisively to resolve it. Where I see adverse trends, I will take steps to correct them. And where activities carry unacceptably high levels of risk and expose consumers to potential loss, I will intervene decisively," stated Chairman Fryzel.

Speaking before the annual gathering of over 500 credit union volunteers and professionals at NAFCU's Congressional Caucus in Washington, D.C., Chairman Fryzel also called on the industry to step forward and assist in dealing with the market turbulence that is affecting the entire financial services industry. "I expect every trade organization, every volunteer and every credit union professional to render their full support to our efforts to keep the entire credit union system vibrant and stable."

A centerpiece of Chairman Fryzel's remarks was his announcement of a comprehensive stress test of the National Credit Union Share Insurance Fund, aimed at determining the Fund's "capacity to withstand the stresses that could develop as a result of the credit and mortgage dislocations," and a discussion of an August Supervisory Letter to NCUA examiners and federally insured credit unions. The letter addresses risk assessment and management in mortgage lending, and off-site monitoring as part of NCUA's risk-focused exam program."This will serve to improve our regulatory ability at a time when we need it most," noted Chairman Fryzel.

"My goals are clear and my mission strong. My willingness to work alongside credit unions is part of my regulatory duty and philosophy. I pledge to you a strong and sensible approach to the regulation of credit unions," stated Chairman Fryzel.

2009 NCUA Board meeting schedule

The NCUA Board plans to hold an open monthly meeting, except during August, on the third or fourth Thursday of the month at 10 a.m. in 2009. The specific dates follow:

January 22	May 21	October 22
February 26	June 18	November 19
March 19	July 16	December 17
April 16	September 24	*The Board meeting schedule is subject to change.*

Credit union officials, trade groups, media and the general public are invited to attend open meetings of the NCUA Board to witness the discussion and decision-making process that affects the vast majority of the nation's credit unions and NCUA operations.

CDRLF LOAN FUND OPENS

NCUA has opened its Community Development Revolving Loan Fund program for low-income designated credit unions.

Application period: Oct. 13–Nov. 24, 2008

Maximum award: $300,000

Visit the website for program guidance and application http://www.ncua.gov/CreditUnionDevelopment/Programs/FinanceGrants.htm

NCUA News National Credit Union Administration

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