

---

# Board Action Bulletin

---



*Prepared by the Office of Public & Congressional Affairs*

## **NCUA BOARD MEETING RESULTS FOR FEBRUARY 15, 2007**

### **NCUSIF reports year-end 2006 results**

Chief Financial Officer Dennis Winans reported to the NCUA Board that the National Credit Union Share Insurance Fund (NCUSIF) equity ratio was 1.31 percent at December 31, 2006, based on a projected 3.5 percent increase in insured shares to \$534.7 billion.

With the equity ratio above 1.30 percent at yearend 2006, the NCUA Board will consider issuing a dividend at the March monthly meeting. Based on current insured share projections, a 2 percent dividend is expected, which would return between \$90 and \$110 million to federally insured credit unions.

NCUSIF ended the year with gross income and net income well above projections at \$266.2 million and \$181.6 million respectively; while NCUSIF operating expenses of \$82.1 million and insurance losses of \$3 million were well below annual projections.

The number of problem code credit unions declined from 280 to 246 during 2006, and problem code credit unions hold just 1 percent of total federally insured credit union shares. Sixteen federally insured credit unions failed in 2006 at a cost of \$6 million, four were purchase and assumptions and twelve were liquidations.

### **Modified loan rule finalized**

The NCUA Board finalized a rule change to Part 701 extending the general loan maturity limit from 12 to 15 years and permitting federal credit unions to provide certain, limited financial services to nonmembers within the field of membership.

Implemented last year as an interim final rule effective October 27, 2006, the rule change was required by the Financial Services Regulatory Relief Act of 2006.

The final rule permits federal credit unions to offer the following services to those within the field of membership, regardless of membership status:

- Sell negotiable checks including travelers checks, money orders, and other similar money transfer instruments (including international and domestic electronic fund transfers); and
- Cash checks and money orders and receive international and domestic electronic fund transfers for a fee.

## **NCUA reports to Congress on deposit insurance**

The NCUA Board approved a report to Congress on Possible Changes to the Deposit Insurance System. Mandated by the Federal Deposit Insurance Reform Conforming Amendments Act of 2005, both NCUA and FDIC conducted independent studies of three subjects including:

1. The feasibility of establishing a voluntary deposit insurance system for deposits in excess of the maximum amount of deposit insurance for any depositor. NCUA's study concluded that Congress should not authorize FDIC and NCUA to provide voluntary excess deposit insurance.
2. The feasibility of increasing the limit on deposit insurance for deposits of municipalities and other units of local government. NCUA neither favors nor opposes Congress increasing coverage on these accounts. NCUA's study found benefits and drawbacks to increased coverage and the impact on the share insurance fund from increasing coverage on these deposits was minimal.
3. The feasibility of privatizing all deposit insurance. NCUA's study concluded the federal government should be the provider of primary deposit insurance. The study noted the lessons learned from failed private deposit insurance companies are well documented. What's more, federal deposit insurance has played an important role in maintaining confidence in the financial system and the stability of the economy.

NCUA made two deposit insurance coverage recommendations for Congressional consideration, which would aid in maintaining comparability with the FDIC insurance fund. The first is to provide NCUA comparable premium assessment authority. The second is to provide NCUA authority to implement a risk-based PCA system for credit unions comparable to FDIC.

## **Charter conversion appeal denied**

The NCUA Board upheld the Region II Director's decision and denied Delaware Federal Credit Union's request to convert from a multiple-common bond to a community charter able to serve the entire State of Delaware. The Board denied the appeal based on an NCUA Chartering Manual requirement that the geographical area must qualify as a local community; the Chartering Manual specifically states that a state cannot so qualify.

*Board votes are unanimous unless indicated*