
Board Action Bulletin



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NCUA BOARD MEETING RESULTS FOR DECEMBER 13, 2007

NCUA Strategic Plan 2009-2014 Issued for Comment

The NCUA Board issued a request for comment on the agency's 2009-2014 strategic plan. Based on NCUA's mission of providing a safe, sound credit union system, the strategic plan provides long-term guidance and operates in concert with the annual agency budget and operating plans.

The strategic plan establishes NCUA goals and objectives based on the fundamental areas of safety and soundness, access to financial service and an effective regulatory environment. The draft strategic plan is available online at <http://www.ncua.gov/ReportsAndPlans/plans-and-reports/index.html>, and comments are due by February 29, 2008.

NCUSIF Operating Level Policy Established

The NCUA Board approved a policy providing transparency in setting the National Credit Union Share Insurance Fund normal operating level, determining dividends and assessment of premiums, in addition to formalizing the process for ensuring rigorous, ongoing analysis of the Share Insurance Fund. The Board also established a normal NCUSIF operating level of 1.30 percent

To determine adequacy of the equity level, the policy includes stress scenarios to apply when preparing quantitative analysis to set the normal operating level. Stress scenario applications include:

- Highest share level in past 10 years;
- Highest NCUSIF operating expense level in past 10 years;
- Highest insurance loss level in the past 10 years; and
- 300 basis point shock of the investment yield in the NCUSIF investment portfolio.

Stress test results will determine a range in which the equity level can be actively managed to avoid premiums during a decline in the business cycle. Also, the quantitative analysis is supplemented with qualitative analysis to ensure current operating conditions are considered in setting the normal operating level and any premium assessment.

The NCUA Board has traditionally set the NCUSIF normal operating level at the end of each calendar year. The new policy will continue to review the operating level at least annually, taking action when change is necessary.

NCUSIF Investment Policy Revisions Approved

The NCUA Board approved National Credit Union Share Insurance Fund investment policy revisions that include mandatory rules and specific guidelines for NCUSIF investments. The policy establishes maturity limits, defines permissible investments and provides a general investment strategy.

Adhering to revised investment policy, NCUSIF funds will be invested as follows:

- Maintain an overnight liquidity target determined by projected liquidity needs;
- Invest 5 percent of the non-liquidity balance minus \$50 million in a 5-year Treasury ladder each quarter; and
- Invest \$50 million in a 10-year Treasury ladder each quarter.

By adding this additional Treasury ladder to the investment portfolio, the fund will experience additional earnings stability while providing a higher expected future return.

Board votes are unanimous unless otherwise indicated