Board Action Bulletin

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NCUA BOARD MEETING RESULTS FOR JULY 24, 2008

Board seeks executive approval for new agency seal

The NCUA Board voted to seek an Executive Order from the President approving a new agency seal that incorporates the eagle and shield of the Great Seal of the United States. As the federal regulator and insurer, NCUA has an important role in maintaining confidence in America's system of federally insured financial institutions. The new design readily and clearly conveys that NCUA is an agency of the federal government, with the associated confidence and security. The design of the new seal also incorporates elements of NCUA's official insurance sign for better and more consistent recognition and association with the federal share insurance backed by the full faith and credit of the United States Government.

The proposed new seal was designed specifically to symbolize the following:

- The eagle and shield from the Great Seal of the United States clearly indicates NCUA's role as an agency of the federal government. NCUA research, confirmed by the United States Department of State, indicates that 18 U.S.C. 713(a) is the governing law with respect to use of the Great Seal of the U.S.

This U.S. Code site states it is a crime to knowingly display any printed or other likeness of the Great Seal of United States for the purpose of conveying, or in any manner reasonably calculated to convey, a false impression of sponsorship or approval by the U.S. Government or any department, agency or instrumentality thereof.

- Three blue stars above the eagle represent the three-member NCUA Board.
- Using "NCUA" in white on a blue background on the crest of the shield, matches the federal share insurance sign that federally insured credit unions are required to display.
- The circle on the seal includes the agency title, "National Credit Union Administration." The date "1934" in the lower portion of the circle reflects the creation by Congress of the federal credit union system in 1934 and the long unbroken line of federal credit union regulation that evolved into NCUA. The two stars within the circle separate "1934" from NCUA's title.

NCUSIF mid-year 2008 financial highlights

The NCUA Chief Financial Officer and E&I Director reported to the NCUA Board that during the first six months of 2008 National Credit Union Share Insurance Fund (NCUSIF) gross income was $149.2 million, operating expenses totaled $39.2 million, insurance loss expense was $109.4 million, and net income was $0.6 million.

Currently Reserves total $334.2 million, which includes $84.7 million in unallocated Reserves. Thus far in 2008, six federally insured credit unions have failed at a cost to date of $5.0 million. Through June, there were 245 problem code 4 and 5 credit unions, with shares representing $8 billion, or 1.37 percent of total insured shares.

Based on 5 percent estimated growth, insured shares will total $594 billion at mid-year 2008, and the equity ratio will adjust to 1.24 percent. Current projections indicate the NCUSIF equity ratio will be 1.28 percent at year-end 2008.

Net worth PCA definition proposal issued

The NCUA Board issued a proposed rule change to implement a statutory amendment to expand the “prompt corrective action” (PCA) definition of natural person credit union’s “net worth” to include in its capital the retained earnings of a merging credit union; and to similarly amend corporate capital definitions.

The amendment expands the definition of “net worth” to allow the retained earnings of a merging credit union to be combined with the acquiring credit union to determine post-merger “net worth.” Similarly, the proposal redefines corporate credit union capital to allow an acquiring corporate credit union to include in post-merger capital the retained earnings of the merging credit.

Implementing the Financial Services Regulatory Relief Act, the proposal was issued with a 60-day comment period.

Horizon One FCU Converts to Community Charter

The NCUA Board approved a request from Horizon One Federal Credit Union, Indianapolis, Indiana, to convert from a multi-group to a community charter able to serve the people who live, work, worship, volunteer, attend school and businesses and other legal entities located in Marion or Johnson County in Indiana.

Final IRPS provides prohibition guidance

The NCUA Board issued a final Interpretive Ruling and Policy Statement (IRPS) that provides guidance and direction to federally insured credit unions and those who may be affected by prohibitions imposed by Section 205(d) of the FCU Act because of a criminal conviction or a pretrial diversion program.

Section 205(d) prohibits a person from participating in the affairs of an insured credit union without prior written consent of the NCUA Board if the person has been convicted of any criminal offense involving dishonesty or breach of trust, or the person has entered into a pretrial diversion or similar program in connection with criminal prosecution. The IRPS describes the actions prohibited under the statute and establishes the procedures for applying for NCUA Board consent on a case-by-case basis.

NCUA 2008 budget is unchanged after midyear review

The NCUA budget remains unchanged at $158,631,447, while reprogramming is necessary to accommodate increased employee travel expenses and several information technology projects.

Because of significant uncertainties related to travel costs as well as industry pressures increasing the agency's workload, the Office of the Executive Director has taken the unusual step to earmark $2.1 million of programs that can be delayed or cancelled. In the event that higher travel costs or increased workload cause increased operating costs beyond mid-session estimates, these earmarks have been identified to ensure the full execution of the agency's safety and soundness program.

The NCUA Board accepted the recommendation for another budget review, to be completed by September 30, 2008. The NCUA Board also granted the executive director temporary authority to reprogram funds if necessary.

Board votes are unanimous unless otherwise indicated