Board Action Bulletin

Prepared by the Office of Public & Congressional Affairs

NCUA BOARD MEETING RESULTS FOR MAY 21, 2009

Board approves interagency rule on information furnished to consumer reporting agencies

The NCUA Board approved a final interagency rule, 12 CFR Section 717.40-717.43, and Appendix E, issuing guidelines federal credit unions should follow that stipulate the accuracy and integrity of consumer information furnished to a consumer reporting agency. The rule implements section 312 of the Fair and Accurate Credit Transactions Act of 2003 (the FACT Act).

The regulation requires that federal credit unions establish reasonable policies and procedures for implementing the guidelines. Additionally, the rule allows federal credit union members to dispute consumer report information inaccuracies directly with the entities that furnish the information. The FACT Act requires that NCUA, the other federal financial institution regulators and the FTC issue regulations identifying circumstances when a furnisher must reinvestigate disputes about the accuracy of information contained in a consumer report based on consumer request.

The rule is effective July 1, 2010.

ANPR issued on "furnisher" accuracy and integrity guidelines

The NCUA Board issued an advance notice of purposed rulemaking (ANPR), in concert with the other federal financial institution regulators and the FTC, to gather input about a possible addition to the consumer credit report furnisher accuracy and integrity guidelines issued today.

Issued with a 60-day comment period, the ANPR seeks input to determine whether an addition to the guidelines is needed to define the circumstances when a furnisher is expected to provide an account opening date to a consumer reporting agency to promote the integrity of the information. In addition, the agencies request comment on whether furnishers should be expected to provide any other types of information to a consumer reporting agency in order to promote integrity.

NCUA reduces bond coverage requirements for SIP participants

The NCUA Board issued an order excluding Credit Union System Investment Program (CUSIP) investments from the calculation of total assets subject to minimum fidelity bond coverage for all federally insured credit unions. The order is available online - - http://www.ncua.gov/Resources/CorporateStabilization/index.aspx

NCUA regulation Part 713 applies to all federally insured credit unions and requires them to maintain minimum fidelity bond coverage for a single loss. Minimum coverage is tied to total assets, and as credit unions' total assets grow, they incur greater costs for higher coverage. The assets of credit unions participating in CUSIP are inflated by the amount they have invested in the program. Consequently, federally insured credit unions that borrowed and invested CUSIP funds see minimum fidelity bond coverage and costs increase as a result of participation in the program.

The NCUA Board found it needless for federally insured credit unions to increase fidelity bond coverage in relation to their CUSIP investments because these investments are guaranteed by the NCUSIF and pose no additional risk to the fund. Effective immediately, participating federally insured credit unions can exclude CUSIP funds from their calculation of total assets subject to minimum fidelity bond coverage under Part 713.

NCUSIF status report

Through April 30, 2009, NCUSIF year-to-date revenue and expense included investment income of $65.6 million, accrued recapitalization and premium income of $6.2 billion, operating expense of $33.3 million, insurance loss expense of $5.1 billion, and loss on investment -corporate- of $1 billion. Net income through April was $135.9 million.

The NCUSIF reserve balance was $5.4 billion as of April 30, 2009 – approximately $4.9 billion in reserves for corporates and nearly $300 million in reserves for natural person credit unions.

Based on year-end 2008 insured shares of $611.6 billion, the NCUSIF equity ratio was 1.30 percent as of April 30, 2009. Four federally insured credit unions failed through April – 1 liquidation and 3 assisted mergers -- at a cost of $21.5 million.

There were 288 problem code credit unions as of April 30, 2009, with shares representing 3.47 percent of total insured shares – 60 percent held less than $10 million in total shares and 1.7 percent held more than $1 billion in total shares.

Board votes are unanimous unless otherwise indicated