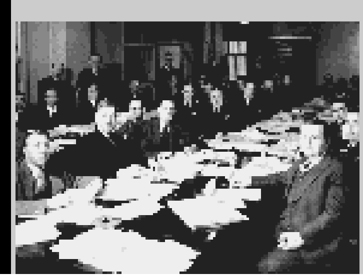
1934-1994
60 YEARS OF FEDERAL CREDIT UNIONS



NATIONAL CREDIT UNION ADMINISTRATION
# 1994 ANNUAL REPORT

The National Credit Union Administration is an independent federal agency that supervises and insures 7,497 federal credit unions and insures 4,494 state-chartered credit unions. It is entirely funded by credit unions and receives no tax dollars.

1775 Duke Street
Alexandria, Virginia 22314-3428

This 1994 NCUA Annual Report is an official report to the President and the Congress of the United States. This report includes the financial statements of the NCUA Operating Fund, National Credit Union Share Insurance Fund, and the National Credit Union Central Liquidity Facility.

The mission of the National Credit Union Administration is to ensure the safety and soundness of credit unions by providing appropriate regulation and supervision while effectively managing the agency's resources and the Share Insurance Fund.

# CONTENTS

# FINANCIAL HIGHLIGHTS 1994

| | | |
|---|---|---|
| **NCUA Operating Fund** [1] | | |
| Operating Fee Revenue | | 44.0 million |
| Other income | | 1.7 million |
| Total Revenue | | 45.7 million |
| Expense Budget | $ 91.9 million | |
| Actual Expenses | 85.8 million | |
| Expenses Transferred to Share Insurance Fund | 42.9 million | |
| Operating Fund Expenses | | 42.9 million |
| Net Income | | 2.8 million |
| Operating Fund balance[1] | | 17.1 million |
| **National Credit Union Share Insurance Fund** [1] | | |
| Total Revenue | | $149.8 million |
| Operating expenses | | 44.1 million |
| Insurance Loss Expense | | 26.0 million |
| Net Income | | 79.7 million |
| Reserve for Losses | | 94.4 million |
| Fund balance | | 3,054.3 million |
| Equity ratio (fund balance as percentage of insured deposits) | | 1.27 percent |
| **Central Liquidity Facility** [1] | | |
| Net income | | 24.0 million |
| Dividends paid | | 23.4 million |
| Total assets | | 690.5 million |
| Retained earnings | | 11.5 million |
| Capital stock | | 665.8 million |
| **Federally Insured Credit Unions** [2] | | |
| Number of credit unions | | 11,991 |
| Total assets | | 289.5 billion |
| Capital to assets | | 10.4 percent |
| Share growth | | 3.3 percent |
| Ratio of loans to shares | | 69.0 percent |
| Delinquency ratio | | 0.9 percent |
| Net income growth | | -11.3 percent |

[1] September 30

[2] December 31

# 60TH ANNIVERSARY YEAR

The federal credit union system marked its sixtieth anniversary year in 1994. On June 26, 1934, President Franklin D. Roosevelt signed the Federal Credit Union Act into law.

By the time Congress acted, a broad national movement had developed and 38 states had passed credit union enabling laws. The nation's first U.S. credit union act was approved in 1909.

The supervision of federal credit unions shifted from one agency to another over the years. First placed in the Farm Credit Administration, the Bureau of Federal Credit Unions moved to the Federal Deposit Insurance Corporation in 1942. In 1948, the bureau was moved to the Federal Security Agency, the predecessor of the Social Security Administration, and in 1953 was transferred to the Department of Health, Education and Welfare, now the Department of Health and Human Services.

In 1970, Congress established the National Credit Union Administration as an independent agency with a single administrator. At the same time it created the National Credit Union Share Insurance Fund and required federal credit unions to have federal insurance. Also available to state-chartered credit unions, the fund was established without tax dollars. In 1979, Congress replaced the NCUA administrator with its present three-member board and established the Central Liquidity Facility to serve the short-term liquidity needs of the system.

The 1970s were years of great change and tremendous credit union growth. But high interest rates, unemployment, and staffing limitations brought supervisory challenges and insurance losses. With the Share Insurance Fund at or near bankruptcy, the credit union community called on Congress to approve a plan to recapitalize the fund. When the law took effect in 1985, federally insured credit unions deposited 1 percent of their shares in the insurance fund and created what has proved to be a "fail safe" insurance plan.

In 1994, credit union failures were the lowest ever and the Share Insurance Fund had its best year ever. Federally insured credit unions serving some 64 million members are healthy and growing. Those who founded the federal credit union system 60 years ago would be staggered by the dynamic, vibrant financial system in place today.

Those who founded the federal credit union system 60 years ago would be staggered by the dynamic, vibrant financial system in place today.

# CHAIRMAN'S STATEMENT

Norman E. D'Amours

We are committed to the credit union philosophy of empowering all Americans through a safe, self-helping, democratic, cooperative and nonprofit financial system.

I look back on this first year as NCUA Chairman encouraged that we are making good progress in the areas I believe most important for the future of the credit union movement.

We are committed to the credit union philosophy of empowering all Americans through a safe, self-helping, democratic, cooperative and nonprofit financial system. Education is fundamental to this mission and is an area the movement needs to improve.

The foundation of credit unions' cooperative philosophy is lending, particularly to those who are under-served. While saving is important, we must remember that credit unions are not investment societies; they are credit societies. Credit union lending is rising steadily—the loan-to-share ratio is inching up. Credit unions know the best investment they can make is a loan to a member.

During my first year as chairman, I have made it a priority to help credit unions get into inner cities and better serve the less-advantaged among us regardless of locale. At NCUA, we have created a separate Office of Community Development Credit Unions. We eased regulations to facilitate new charters and to expand services. And we are encouraging well-established credit unions to help smaller or newer credit unions.

On becoming chairman, my first promise was to watch carefully over credit union safety and soundness and to be a firm, but fair regulator—one who loves credit union philosophy and history and wants to help protect its role for future generations. For that reason, I led the effort to thoroughly examine the corporate credit union structure.

When that in-depth study pointed out deficiencies, I felt strongly that the NCUA Board should act decisively. The Board created a new Office of Corporate Credit Unions and wisely approved a corporate rule that separates the corporate system from the control of trade groups.

When I took office, I promised to use the credit union money entrusted to the agency as carefully as the financially conservative among us would spend our own. The Board has tried very hard to follow through on that promise and I believe we have done so. We have cut costs and funded new programs with some of the savings.

You may recall that, in the fall of 1994, both the House and Senate Banking Committees were targeting NCUA and the credit union system for some rough treatment. One of the heart-warming moments of this past year was hearing Chairman Henry Gonzalez, of the House Banking Committee, refer to NCUA as the "ideal regulator." Similar compliments were heard on the Senate side and from the General Accounting Office. Such comments are a tribute to the quality of our programs and work force.

I want to thank all those in the credit union community and on NCUA's staff who make our work rewarding. I look forward to a productive 1995.

# BOARD STATEMENTS

Shirlee P. Bowné
Vice Chairman

1994 was a busy year at NCUA. Some very complex and critical issues were on the agenda. I thank all of those in the credit union community who shared comments with us.

Perhaps the most remarkable event in 1994 was the political transformation taking place on Capitol Hill. The new Congress intends to return much of the federal government's authority to local levels. More of government's involvement in the lives of people would be handled at the state, county, and city levels—allowing individual citizens more ready access to the decision-makers. I believe this transfer of power provides a real opportunity for credit unions.

Directors and officers of credit unions tend to be active and respected members of their communities and through their community activities have an opportunity to advise and influence local officials. Some of that sound philosophy of service to which credit union leaders subscribe could be put to good use in city halls, county court houses, and state houses.

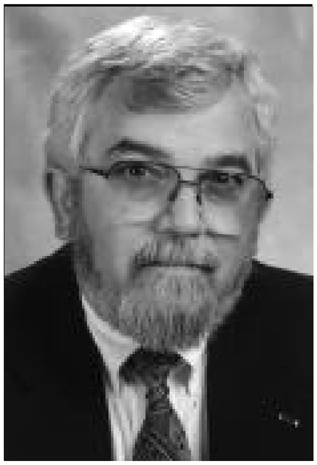
I look forward in 1995 to your continued if not enhanced involvement both with us at NCUA and in your own community.

Robert H. Swan
Member of the Board

The year 1994 was one of the best, if not the best year in the history of the National Credit Union Share Insurance Fund. NCUSIF was operated in a professional and highly competent manner. The fund, through its investments and cash management activities,is prudently and responsibly structured. Its health is a result of the efforts of faithful public servants who are committed to the well-being of our nation's credit unions.

For example, the NCUSIF investment committee is made up of the right people for a most serious task. There is no doubt that when faced with losses, they will appropriately manage those losses with no long-term threat to NCUSIF.

Challenges lie ahead. These challenges will be managed and resolved by NCUA and credit unions working together for the health of the entire credit union community.



Karl T. Hoyle
Executive Director

Early in 1994, following an in-depth review of the agency's policies, procedures, and personnel practices, the NCUA Board approved a reorganization aimed at creating customer-driven systems. This has reduced waste, eliminated obsolete functions, saved money, and enabled the agency to reduce the 1995 operating fee scale by 7.3 percent.

Streamlining the agency included moving the Central Liquidity Facility into the Office of Examination and Insurance. The new Office of Community Development Credit Unions encourages the chartering and growth of credit unions serving low-income members and communities. It also manages the Community Development Revolving Loan Fund. Because of the growing importance of corporate credit unions, the Board also created the Office of Corporate Credit Unions and increased its resources.

In March, NCUA participated in President Clinton's call to improve the government's "customer satisfaction" by asking all insured credit unions to comment on the agency's services, examinations, and communications. The comments received were circulated and reviewed and served as a further impetus for change.

The new Office of Community Development Credit Unions encourages the chartering and growth of credit unions serving low-income members and communities.

NCUA reduced staff by 34 in 1994. We reformed our procurement process and improved our financial management. Unlike previous years, our budgeting was process-driven and zero-based. We stepped up our training programs, both in quality and quantity. We updated training in specialized skills, such as investments and other critical issues of importance to NCUA's mission.

NCUA served as the pioneer in the development of a new federal/state Automated Integrated Regulatory Examination System. AIRES experiments are being conducted in all regions. When AIRES is fully operational, credit union officials can expect to see faster, more accurate examinations and spend less time providing reports. In addition, the agency made major revisions in its examination rating system that considers both qualitative and quantitative factors. In the future, credit unions will be rated in absolute terms rather than against peer averages or predetermined benchmarks.

These strategies, adopted as a result of our streamlining initiatives, will result in an even higher quality examination and supervision program, and will ensure that NCUA operates more efficiently and effectively in delivering services and products that provide for a safe and sound credit union system and a strong, solvent deposit insurance fund.

In 1994, the NCUA Board continued to modernize its rules and regulations to keep up with changing technologies and stiff competition in the financial markets.

Staff worked throughout the year helping credit unions prepare for the Truth in Savings Act that would take affect for most on January 1, 1995. To assist small credit unions, the Board delayed the effective date for non-automated credit unions with $2 million or less in assets until January 1, 1996.

In November, the Board announced it would establish an independent appeal process to review certain supervisory decisions and proposed a review board where examination ratings, adequacy of loan loss reserves, and classification of loans that are significant to the credit union could be appealed.

Because of its concern about the nature of solicitations received by credit unions to convert to bank-type charters, the Board issued an interim final rule to protect members' rights in proposed conversions. The rule clarifies that conversions must have prior written consent from NCUA. At the same time, the Board issued a proposed rule, for final adoption in early 1995, to ensure that members receive all the necessary information before approving a conversion.

To assist small credit unions, the Board delayed the effective date for Truth in Savings for non-automated credit unions with $2 million or less in assets until January 1, 1996.

To encourage the growth and success of credit unions serving low-income communities, the Board increased the amount of nonmember and public unit accounts a designated credit union can accept without prior NCUA approval—up to 20 percent of total shares or $1.5 million, whichever is greater.

The Board approved a final rule to prevent conflicts of interest in the management of corporate credit unions. The rule requires that the majority of a corporate credit union's board consist of representatives of member credit unions and that a majority of board members not serve as repsentative of the same or affiliated trade associations.

The rule also requires that a corporate's chief executive report only to the corporate board and not serve as an employee of a trade association. In addition, a corporate may not condition membership on membership in any other organization.

# ENFORCEMENT, LITIGATION

NCUA enforcement actions declined slightly in 1994—from 64 actions in 1993 to 51. During 1994, NCUA assessed 12 money penalties, issued three cease and desist orders, and removed or prohibited 31 institution-affiliated parties. Five credit unions were placed into conservatorship compared to seven in 1993.

Enforcement actions taken by the NCUA Board included:

- A prohibition against a former credit union manager for misrepresenting a credit union's financial condition by engaging in certain accounting improprieties;
- A civil money penalty against a credit union for failing to file its call report in a timely fashion;
- A civil money penalty assessed against each member of the board of directors of a credit union for violating NCUA's fixed asset regulation;
- A cease and desist order against an accountant for failing to conduct an adequate audit of a credit union's books;
- A cease and desist order against a credit union for engaging in unsafe and unsound business lending; and
- A cease and desist proceeding against a credit union for failure to secure an adequate audit, inadequate record keeping, failure to file call reports, and for having illegal members.

Two lawsuits brought by banks challenging the agency's field-of-membership decisions were decided in NCUA's favor in 1994. The U.S. District Court for the District of Columbia approved the NCUA Board's decision to allow a credit union to add unrelated employee groups. The Sixth U.S. Circuit Court of Appeals upheld a decision to expand the field of membership of a community-based credit union. The Board is confident several similar challenges will be decided in NCUA's favor.

This was also a banner year for NCUA recoveries in liquidation cases. In 1994, NCUA settled for some $8 million in three lawsuits involving the defunct Franklin Federal Credit Union, Omaha, enabling the liquidating agent to make substantial payments to uninsured shareholders and the Share Insurance Fund. The agency also recovered $2.5 million in an auditing malpractice claim against the accounting firm which audited the now liquidated Barnstable Federal Credit Union in Massachusetts.

This was also a banner year for NCUA recoveries in liquidation cases.

The second session of the 103rd Congress was important for credit unions and NCUA, both for what it did and for what it did not do.

Although several bills to consolidate federal bank and thrift regulators were introduced, none of these initiatives included NCUA. And the perennial effort to tax credit unions didn't surface in 1994.

Credit unions will benefit from two provisions of the Riegle Community Development and Regulatory Improvement Act of 1994. The act authorized $382 million for assistance to community development financial institutions and included credit unions in its list of eligible institutions. Another $10 million was authorized for NCUA's Community Development Revolving Loan Fund over a four-year period. The act also required financial regulators to establish an appeals process to review disputed supervisory decisions.

Chairman Norman E. D'Amours testified at oversight hearings before the Senate and House Banking Committees and presented the Central Liquidity Facility's annual loan limit request before House and Senate Appropriations Committee subcommittees. H. Allen Carver, director of the Office of Corporate Credit Unions, appeared at House Banking Committee oversight hearings following a period of intense congressional scrutiny of the corporate system.

The perennial effort to tax credit unions didn't surface in 1994.

Credit unions will benefit from changes in the bankruptcy law that encourage repayment plans, from a substantial overhaul of the federal flood insurance program, and from regulatory relief provisions. NCUA will be able to take advantage of government streamlining legislation to reduce costs and increase efficiency.

The biggest story of 1994 was the November election giving Republicans control of Congress for the first time in 40 years. The dramatic turnover in the 1992 and 1994 elections makes for a certain degree of unpredictability in the 104th Congress. Of the 435 members of the House, 86 were first elected in 1994 and 94 in 1992. In the Senate, 11 new senators were elected in 1994 and 13 in 1992. In the House Banking Committee, 15 of the 27 Republican members are newly elected.

# ASSET LIQUIDATION MANAGEMENT CENTER

NCUA's Asset Liquidation Management Center handled 13 new liquidations during 1994 and 15 assisted mergers, the lowest number in both categories since 1990.

Through pre-liquidation planning, the average payout period—the time required to pay member accounts when a credit union is liquidated—dropped from 1.32 days to 1.08 days.

Not only were the number of failures lower in 1994, the asset size of failures declined. The largest liquidation payout was $4.2 million and the total payout for all liquidations was also a four-year low of $14.1 million. Ten of the 13 payouts were under $700,000 in assets.

Not only were the number of failures lower in 1994, the asset size of failures declined.

Even though 197 new assets were added during 1994, the net book value of ALMC-managed assets declined from $35.9 million at fiscal year-end 1993 to $27 million. Newer assets, usually non-performing loans, generally had much smaller asset value. Those remaining at year-end, located in 31 states, were poorer quality, making disposal difficult. At year-end, ALMC was managing 120 liquidations in process.

ALMC had total recoveries of $64.7 million during 1994 of which $7.5 million were from its first bulk sale of real estate loans. Sale and collections of real estate loans and the sale of acquired real estate totaled $25 million. Other recoveries resulted from litigation, bond claims, and sales and collections of consumer loans. The cost to recover on those assets was 11.88 percent.

The NCUA Board established ALMC, located in Austin, Texas, in early 1990 to consolidate and streamline the liquidation process. Since then, the Texas center has recovered $345 million from acquired assets. During the start-up period, ALMC hired and trained staff, developed internal controls and procedures, and acquired data processing equipment.

A sharp decline from a peak of 164 credit union failures in 1990 to a low of 33 failures in 1994 also meant the number and dollar value of the managed assets declined. During 1994, ALMC reduced staff, closed a subsidiary office in Braintree, Mass., and cut other costs. Based on current projections, the number of liquidations are unlikely to change dramatically during 1995.

# LOW-INCOME CREDIT UNIONS

NCUA in 1994 increased its support of low-income credit unions—those serving member households predominantly earning less than 80 percent of the national median household income. In 1994, that household standard was $25,300.

Designated low-income credit unions have greater authority to accept nonmember deposits than other credit unions and they are eligible to receive loans from the Community Development Revolving Loan Program.

During 1994, NCUA took a number of steps to encourage chartering and growth. A new Office of Community Development Credit Unions became operational and the Board adopted new rules to ease chartering and nonmember deposit rules. It also secured Congressional authorization of new funds for the loan program.

At year-end, NCUA had designated 201 credit unions with average assets of $3.3 million as low-income credit unions. Average net capital was 9.8 percent, the loan delinquency ratio 2.8 percent, and net income averaged 1.2 percent after required reserve transfers. The loan-to-share ratio (excluding nonmember deposits) at year-end was 75.7 percent.

At year-end, NCUA had designated 201 credit unions with average assets of $3.3 million as low-income credit unions.

For comparison, a group of credit unions of similar size had net capital of 10.2 percent, a loan delinquency ratio of 1.3 percent, and net income after reserve transfers of 1.0 percent. Their loan-to-share ratio was 69.7 percent.

Low-income credit unions have different service patterns. Regular share deposits and unsecured loans are the most common services offered. About half also offer car loans, direct deposit, and check cashing. One-third offer business loans and one-third offer first mortgages. Low-income credit unions almost always have higher expenses because members have smaller loan and account balances and a greater need for member services.

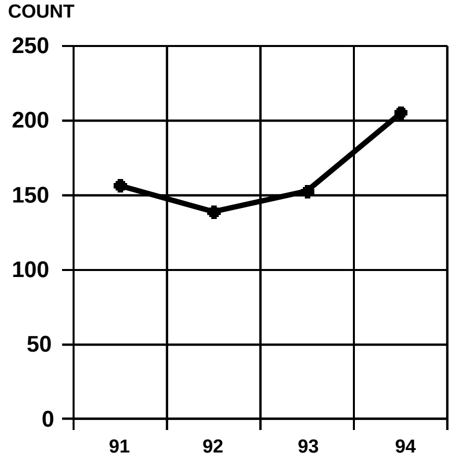
Of the 201 low-income credit unions, 72 held nonmember deposits at year-end. Of 1,383 accounts totaling some $25 million, about $6 million came from NCUA's loan program. In 1994, 21 credit unions received $1,950,000 in loans or deposits from the loan program.

Since its transfer to NCUA in 1987, the loan program has provided $9.5 million in loans to 56 credit unions without a single loss. In addition, low-income credit unions received $350,000 in technical assistance through 1994.

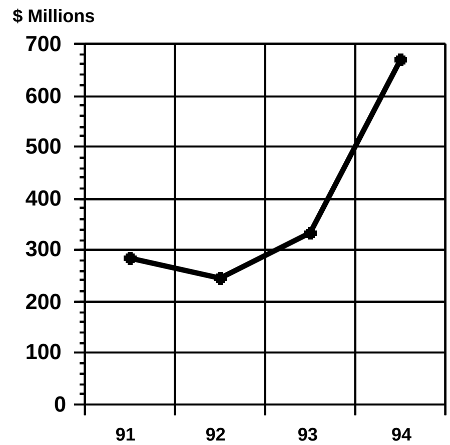
Members performing transactions at the Central Brooklyn Federal Credit Union located at 1205 Fulton Street in Brooklyn, New York. The community development financial institution is the first credit union to be chartered under the Clinton administration.

# LOW-INCOME CREDIT UNIONS

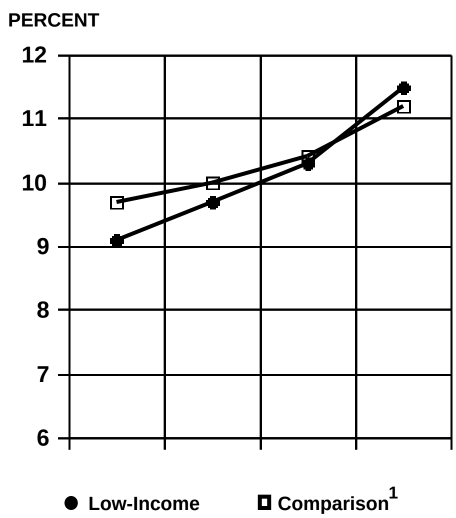
## Number of Low-Income Credit Unions[2]
December 31



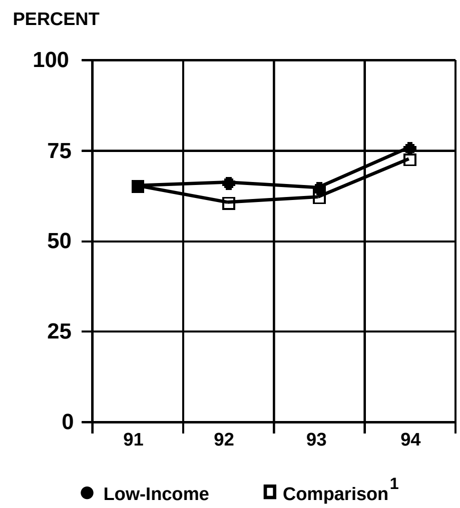

## Assets of Low-Income Credit Unions[2]
December 31 (in Millions)



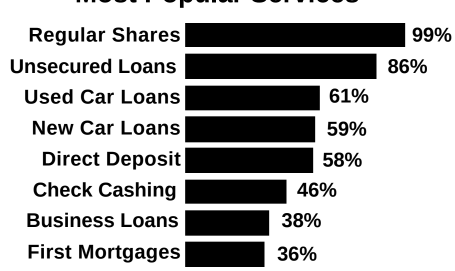

## Total Capital Ratio
December 31 (in percent)



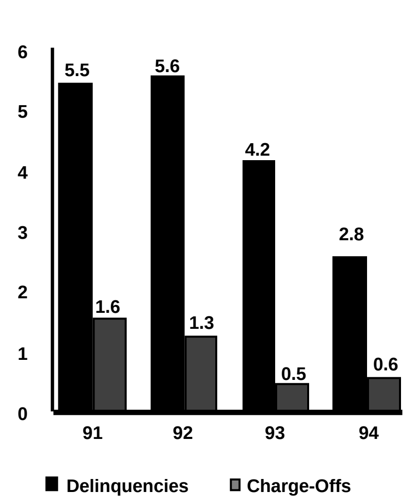

## Loan-To-Share Ratio
December 31 (in millions)




## Low-Income Credit Unions[1] Most Popular Services




## Delinquency and Net Charge-Off Rates
PERCENT OF LOANS




Central Brooklyn Federal Credit Union (left to right) Treasurer/Manager Errol T. Louis discussing a loan with a member of the credit union. The credit union is located at 1205 Fulton Street in Brooklyn, New York.

[1] Credit unions of comparable size
[2] Does not include student credit unions

# CORPORATE CREDIT UNIONS

The NCUA Board turned its attention to corporate credit unions early in 1994. It commissioned an in-depth study by five distinguished, independent financial experts and created a separate Office of Corporate Credit Unions.

Corporate credit unions provide a wide range of investment, liquidity, payment, and support services to their member credit unions. U.S. Central Credit Union provides financial services and operational support to other corporates.

Creation of the Office of Corporate Credit Unions underscores the renewed emphasis on the corporate system. Additional investment and corporate examiner staff were hired and comprehensive training courses provided.

Early in 1994, the NCUA Board called for a moratorium on foreign investments by corporates when it found that U.S. Central Corporate Credit Union had a $255 million investment in a troubled Spanish bank. Subsequently, foreign investments declined from $10 billion on January 1 to under $400 million without loss.

Creation of the Office of Corporate Credit Unions underscores the renewed emphasis on the corporate system.

The Corporate Study Committee concurred with many of the recommendations of a 1991 study by the U.S. General Accounting Office ordered by Congress, including a proposed rule to restrict the interlocking boards and management existing between some corporates and credit union trade associations. In November, the Board adopted a final rule.

The Corporate Study Committee also raised the issues of corporate capital and the interest rate risk of some investments. It questioned the need for the three-tier corporate system and the distinction between U.S. Central and other corporates. The Board expects to address those issues early in 1995.

Late in 1994, Capital Corporate (Cap Corp) Federal Credit Union was forced to place a freeze on member withdrawals when it could no longer meet the liquidity needs of its 483 member credit unions. The credit union had more than half of its investments in high-risk collateralized mortgage obligations that sharply declined in value as interest rates climbed.

After lengthy negotiations to find an alternative, NCUA placed Cap Corp into conservatorship in January 1995. The agency made funds available to Cap Corp members through an agreement with U.S. Central Corporate Credit Union, Overland Park, Kansas.

(left to right) Chairman Norman E. D'Amours, Corporate Credit Unions Director H. Allen Carver, Vice Chairman Shirlee Bowné, and Board Member Robert H. Swan

**KEY STATISTICS ON FEDERALLY INSURED CORPORATE CREDIT UNIONS**
**DECEMBER 31 (IN MILLIONS)**

| | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| Number | 31 | 33 | 35 | 37 | 39 |
| Assets | $ 25,493.8 | $ 31,014.8 | $ 37,823.7 | $ 39,058.8 | $ 34,307.8 |
| Loans | 1,172.4 | 1,172.8 | 1,159.2 | 1,199.2 | 1,686.6 |
| Shares | 20,012.3 | 25,856.9 | 31,891.2 | 31,392.4 | 27,566.6 |
| Reserves | 218.0 | 315.1 | 412.2 | 466.8 | 598.1 |
| Undivided earnings | 96.9 | 120.1 | 159.7 | 191.2 | 289.3 |
| Gross income | 1,904.1 | 1,928.3 | 1,746.7 | 2,268.2 | 1,813.1 |
| Operating expenses | 54.9 | 70.6 | 79.81 | 97.8 | 114.0 |
| Interest on borrowing | 323.9 | 285.5 | 238.61 | 334.8 | 280.6 |
| Dividends and interest on deposits | 1,465.5 | 1,457.6 | 1,291.61 | 1,674.2 | 1,338.5 |
| Reserve transfers | 27.8 | 40.4 | 45.01 | 61.5 | 31.5 |
| Net income | 32.5 | 74.2 | 91.71 | 99.9 | 48.5 |
| **SIGNIFICANT RATIOS** | | | | | |
| Reserves to assets | 0.9% | 1.0% | 1.1% | 1.2% | 1.7% |
| Reserves and undivided earnings to assets | 1.2 | 1.4 | 1.5 | 1.7 | 2.6 |
| Reserves to loans | 18.6 | 26.9 | 35.6 | 38.9 | 35.5 |
| Loans to shares | 5.9 | 4.5 | 3.6 | 3.8 | 6.1 |
| Operating expenses to gross income | 2.9 | 3.7 | 4.6 | 4.3 | 6.3 |
| Yield on average assets | 8.9 | 6.8 | 5.1 | 5.9 | 4.9 |
| Cost of funds to average assets | 8.4 | 6.2 | 4.4 | 5.2 | 3.7 |
| Gross spread | 0.5 | 0.6 | 0.6 | 0.7 | 1.2 |

NOTE; TO PREVENT DOUBLE COUNTING, U.S. CENTRAL CREDIT UNION IS EXCLUDED FROM TOTALS.

U.S. Central provided liquidity, guaranteed by NCUA, to fund withdrawals. The agency also proceeded to divest Cap Corp's investment portfolio. All of Cap Corp's internal capital was absorbed and member credit unions owning capital share deposits may lose as much as 65 percent of their balances.  The Share Insurance Fund loss, at first estimated at $26 million, was reduced to zero.

Corporate Examiner Training Class

Office of Corporate Credit Unions staff

The Central Liquidity Facility (CLF) underwent significant changes in 1994. In February, the NCUA Board approved a plan to transfer management to the Office of Examination and Insurance with the Director of Risk Management serving as CLF president. It reduced staff from four to one and one-half. As a result, annual expenses are projected to decline 42 percent.

During 1994, credit union liquidity levels remained fairly high and, predictably, CLF loan demand remained low.

During 1994, credit union liquidity levels remained fairly high and, predictably, CLF loan demand remained low. Four loans outstanding were repaid. In December, CLF issued 154 short-term loans totaling $57.5 million to the members of one corporate credit union experiencing liquidity problems. It also renewed four secured lines of credit and executed eight guaranteed lines of credit in 1994. Current trends indicate that liquidity in the system is tightening.

Because CLF lending is low and it's investments are relatively risk-free, the Board discontinued monthly reserve transfers in October. The year-end retained earnings balance of $11.5 million will serve as an operating reserve. If lending resumes, the reserve policy will be reevaluated.

In November, the NCUA Board updated CLF bylaws, and revised its investment policy. It obtained approval from the U.S. Treasury to purchase market-based Treasury securities and will invest exclusively in Treasury securities in the future. That policy and rising interest rates increased the investment yield 190 basis points.

The higher investment yield combined with greatly reduced operating expenses and the new reserving policy enabled CLF to pay a fourth quarter dividend of 4.45 percent, up 146 basis points from the first quarter.

If, as expected, credit union liquidity tightens during the coming year, CLF will be available and ready to respond quickly to meet the liquidity needs of member credit unions.

(standing) Executive Assistant to the Board Member Russell Clark, (sitting left to right) Executive Assistant to the Vice Chairman John Butler, and Deputy Executive Director Suzanne Beauchesne

# SHARE INSURANCE FUND

The National Credit Union Share Insurance Fund ended an unusually successful 15 months on December 31 and completed seven consecutive months without an insurance loss. Because of the low level of problem credit unions, no new reserves had been added since May.

Not since 1979 had losses for the fiscal year, ending September 30, been as low—only 10 cents for every $1,000 of insured shares. Actual provision for losses was $26 million for fiscal year 1994, less than half of 1993's provision of $60 million loss, and less than 16 percent of the 1990 high of $163 million. Payments related to loss were $22 million for fiscal year 1994 and $95 million for fiscal year 1993.

It was not surprising then that the NCUA Board waived the 1995 insurance premium, a $207 million saving.

Only 33 credit unions failed in fiscal year 1994, down from 71 in 1993, and the high of 164 in 1990. The number of problem credit unions dropped from a 1988 high of 1,022 to 474 in fiscal 1993 and to 319 in 1994. Shares in problem credit unions on September 30 were less than 1 percent of insured shares.

It was not surprising then that the NCUA Board waived the 1995 insurance premium, a $207 million savings for credit unions. The Board has levied a premium only once since credit unions recapitalized the Share Insurance Fund in 1985. Insured credit unions maintain a 1 percent deposit in the fund and the Board levies an insurance premium only when it is needed.

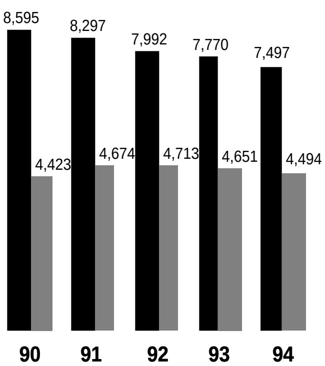
The agency's conversion of its fiscal year to the calendar year during the fourth quarter of 1994 also benefited insured credit unions. Insurance deposit adjustments were delayed three months, from January to March 1995.

Total insured shares in "natural person" credit unions at midyear were $250.6 billion and $247.7 billion on December 31,1994. On September 30, the Share Insurance Fund's equity balance was $3.05 billion, up from $2.81 billion on that date in 1993 and $2.56 billion in 1992. The balance on December 31 was $3.08 billion.

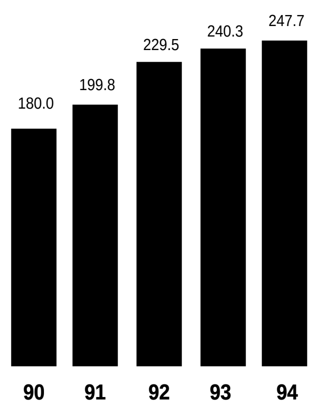
The equity ratio—the balance of the fund as a percentage of insured shares—was 1.27 percent on September 30 and had risen to 1.28 percent on December 31. When the equity ratio goes over 1.3 percent, the Federal Credit Union Act requires the Board to refund the surplus to credit unions. Loss reserves for high-risk credit unions at fiscal year-end 1994 were $94.4 million, compared to $86.0 million in 1993 and $119.8 million in 1992.

# INSURED CREDIT UNIONS

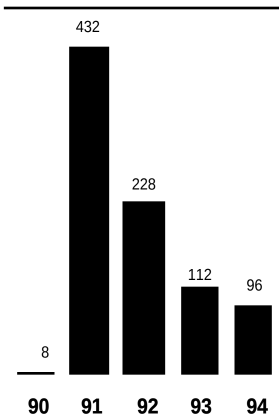
**NUMBER OF FEDERALLY INSURED CREDIT UNIONS DECEMBER 31**




**TOTAL INSURED SHARES DECEMBER 31** (IN BILLIONS)




**NET CONVERSIONS TO FEDERAL INSURANCE**
FISCAL YEAR, SEPTEMBER 30




Federally insured credit unions had never been healthier than they were on December 31, 1994. Credit union failures were a record low of 33 for fiscal year 1994, and 37 for the 15-month period ending December 31.

Troubled credit unions numbered only 319, a fraction of what they were six years earlier. Credit union capital was a sturdy 10.4 percent.

Federally insured credit union shares grew at a 3.0 percent rate during calendar year 1994, totaling $248 billion on December 31, even as the number of credit unions declined, largely through mergers.

On December 31, the Share Insurance Fund insured 7,497 federal credit unions and 4,494 state-chartered credit unions, a total of 11,991 credit unions. NCUA and the National Credit Union Share Insurance Fund converted their fiscal year to the calendar year on January 1, 1995. October through December 1994 served as a transition quarter.

During fiscal year 1994, the NCUA Board approved charters and insurance for 11 new federal credit unions. Through conversion, 96 credit unions were added. Mergers caused a decrease of 348 credit unions, and 28 credit unions were liquidated. During the transition quarter, another 2 credit unions were gained through conversion and 70 were lost through merger or liquidation.

During the 15-month period, NCUA completed the conversion of all credit unions in Tennnessee.

**CHANGES IN FEDERALLY INSURED CREDIT UNIONS FISCAL YEAR 1994**

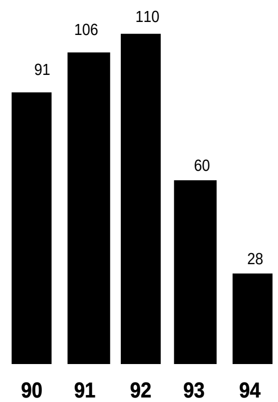
| | FEDERAL CREDIT UNIONS | FEDERALLY INSURED STATE CREDIT UNIONS | TOTAL |
|---|---|---|---|
| **Number, October 1, 1993** | **7,770** | **4,651** | **12,421** |
| **Additions** | | | |
| New federal charters | 11 | — | 11 |
| New state charters | — | 2 | 2 |
| Conversions | 33 | 101 | 134 |
| **Subtractions** | | | |
| Mergers | | | |
| Assisted | 4 | 2 | 6 |
| Voluntary | 211 | 131 | 342 |
| Liquidations | | | |
| Involuntary | 20 | 7 | 27 |
| Voluntary | 1 | 0 | 1 |
| Conversions | 5 | 33 | 38 |
| **Number, September 30, 1994** | **7,572** | **4,582** | **12,154** |
| **Net decrease** | (198) | (69) | (267) |

# INSURED CREDIT UNIONS

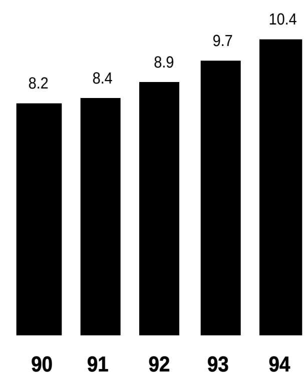
**SHARE GROWTH IN FEDERALLY INSURED CREDIT UNIONS (IN MILLIONS)**

| DECEMBER 31 | SHARES OUTSTANDING: FEDERAL CREDIT UNIONS | SHARES OUTSTANDING: STATE CREDIT UNIONS | TOTAL | PERCENTAGE CHANGE FROM PRIOR YEAR TOTAL SHARES |
|---|---|---|---|---|
| 1988 | $104,431 | $55,217 | $159,648 | 9.1 |
| 1989 | 109,653 | 57,518 | 167,171 | 4.7 |
| 1990 | 117,881 | 62,082 | 179,963 | 7.7 |
| 1991 | 127,316 | 72,467 | 199,783 | 11.0 |
| 1992 | 142,139 | 87,386 | 229,525 | 14.9 |
| 1993 | 149,229 | 91,101 | 240,330 | 4.7 |
| 1994 | 155,480 | 92,173 | 247,653 | 3.0 |

**TOTAL LIQUIDATIONS**
FISCAL YEAR, SEPTEMBER 30

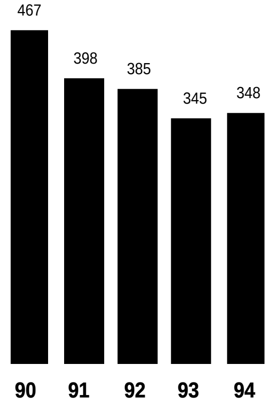



**CREDIT UNION CAPITAL RATIO**
DECEMBER 31 (BY PERCENT)

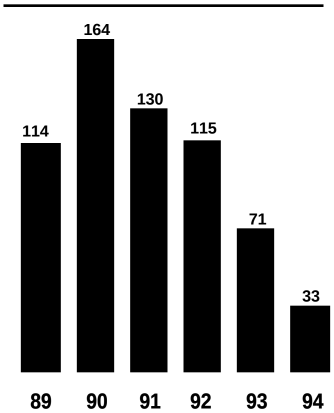



Directors of the Office of Examination and Insurance: (left to right behind table) Examination and Insurance Deputy Director Kent D. Buckham, Division of Risk Management Director Herbert S. Yolles, Division of Insurance Director Dennis C. Winans, Examination and Insurance Director David M. Marquis, (back) Division of Supervision Director Phillip R. Crider

**NUMBER OF CREDIT UNION MERGERS**
FISCAL YEAR, SEPTEMBER 30




**CREDIT UNION FAILURES**
**FISCAL YEAR, SEPTEMBER 30**



# INSURANCE FUND GROWTH

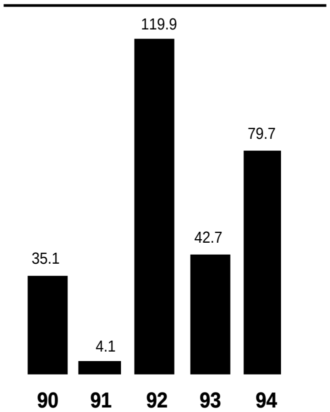
The fund balance was $3.08 billion on December 31.

The balance of the Share Insurance Fund $240 million during fiscal year 1994 and another $30 million during the transition quarter of October through December. On December 31, the fund balance was $3.08 billion.

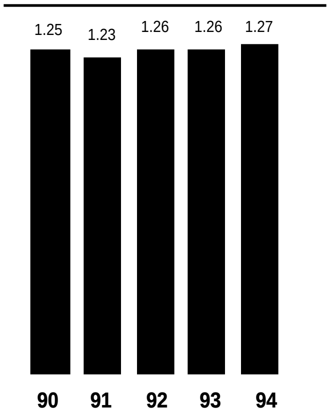
Fund growth during the 15-month period included a net insurance deposit adjustment of $149 million, net earnings of $110 million, and insurance conversion deposits of $11 million. The fund balance was 1.28 percent of insured shares on June 30, declined slightly to 1.27 and returned to 1.28 percent by December 31.

Administrative costs at $44.1 million for fiscal 1994 varied only slightly from $43.6 million 1993 and were well below the high of $46.2 million in 1992. Insurance costs of $26 million were down 84 percent from 1988 and were less than half of the 1993 losses of $60 million.

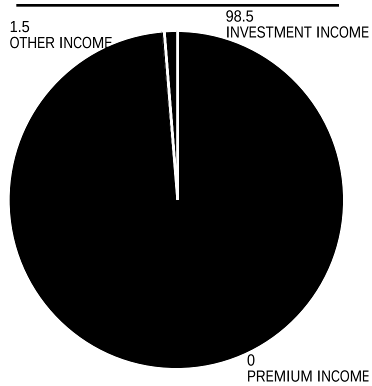
**NET INCOME (IN MILLIONS)**
FISCAL YEAR, SEPTEMBER 30



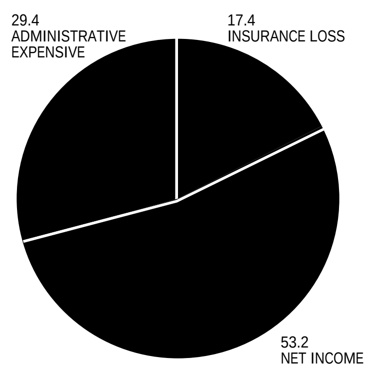

**EQUITY RATIO (BY PERCENT)**
SEPTEMBER 30



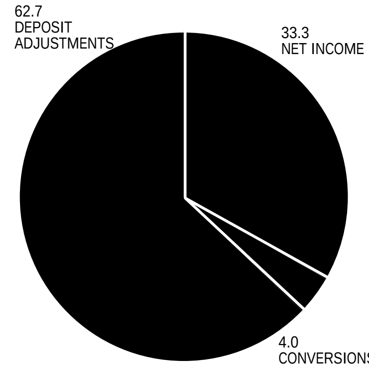

**INCOME (BY PERCENT)**
FISCAL YEAR, SEPTEMBER 30




**INCOME & EXPENSE (BY PERCENT)**
FISCAL YEAR, SEPTEMBER 30

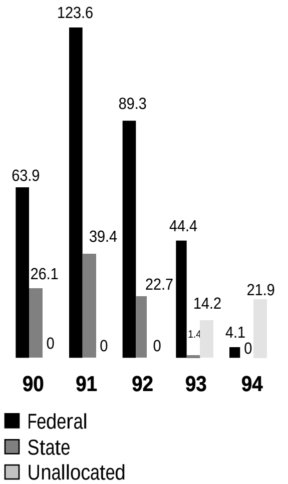



**GROWTH IN EQUITY (BY PERCENT)**
FISCAL YEAR, SEPTEMBER 30

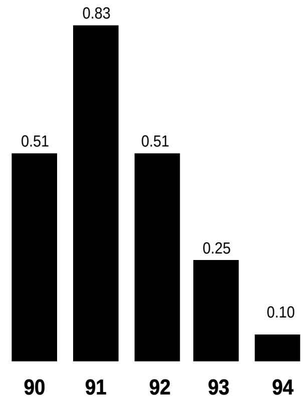


# INSURANCE FUND GROWTH

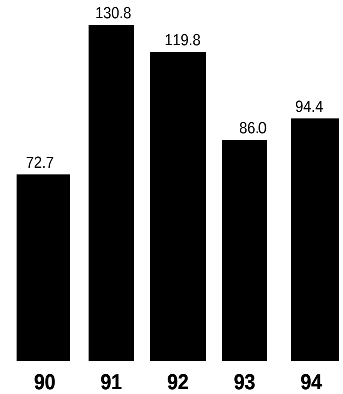
**INSURANCE LOSSES (IN MILLIONS)**
FISCAL YEAR, SEPTEMBER 30




**LOSSES PER $1,000 OF SHARES (IN DOLLARS)**
FISCAL YEAR, SEPTEMBER 30




**RESERVES (IN MILLIONS)**
FISCAL YEAR, SEPTEMBER 30




**RESERVES FOR ESTIMATED LOSSES**
(IN THOUSANDS)

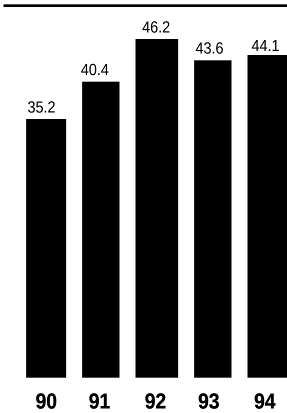
| FISCAL YEAR | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|
| Reserves—beginning of fiscal year | $ 72,688 | $ 130,797 | $ 119,799 | $ 85,980 |
| Net charges for fiscal year | (104,891) | (122,998) | (93,819) | (17,573) |
| Provision for insurance losses | 163,000 | 112,000 | 60,000 | 26,000 |
| Reserves—end of fiscal year | $ 130,797 | $ 119,799 | $ 85,980 | $ 94,407 |

**ADMINISTRATIVE COSTS**
(IN THOUSANDS)

| FISCAL YEAR | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|
| Direct expenses | $ 2,048 | $ 3,357 | $ 2,429 | $ 4,891 | $ 1,544 | $ 1,242 |
| Allocated expenses | 28,769 | 31,796 | 37,924 | 41,270 | 42,030 | 42,890 |
| Total administrative expenses | $30,817 | $35,153 | $40,353 | $46.161 | $43,574 | 44,132 |
| Percent of NCUA total administrative expenses | 53.6% | 55.3% | 53.2% | 55.9% | 51.8% | 51.4% |

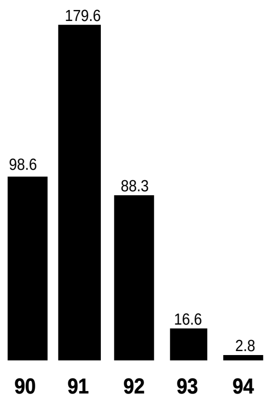
Gerald Kelly, supply technician

**ADMINISTRATIVE EXPENSES (IN MILLIONS)**
FISCAL YEAR, SEPTEMBER 30

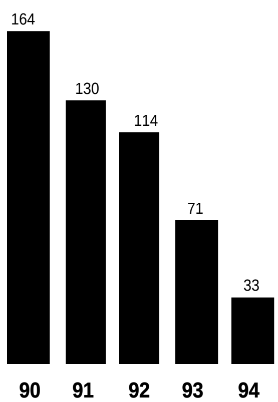


# FUND ASSISTANCE

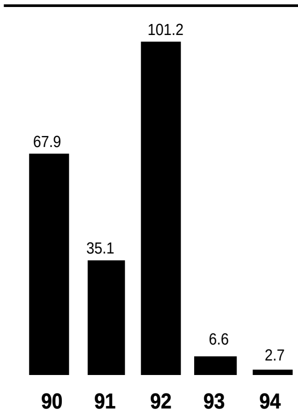
**NON-CASH ASSISTANCE OUTSTANDING**
SEPTEMBER 30 (IN MILLIONS)




**INVOLUNTARY LIQUIDATIONS**
**& ASSISTED MERGERS**
SEPTEMBER 30 (NUMBER OF CASES)




**CASH ASSISTANCE OUTSTANDING**
SEPTEMBER 30 (IN MILLIONS)




Cash and non-cash assistance to troubled credit unions was down dramatically to $2.7 million in cash assistance outstanding and $2.8 million in non-cash assistance outstanding at fiscal year-end 1994.

These figures compare favorably to $6.6 million in cash assistance outstanding and $16.6 million in non-cash assistance at fiscal year-end 1993—a remarkable reflection of the strength of today's credit unions.

Cash is usually advanced to a problem credit union in exchange for a subordinated note. This assistance allows the credit union to acquire income-producing assets to offset non-earning assets or accumulated losses. Specific repayment schedules are based on the credit union's projected earnings.

The Share Insurance Fund gives non-cash capital guaranty accounts when a viable credit union becomes impaired financially. To qualify, a troubled credit union must also have a strong field of membership, good management, and have resolved its basic problems.

A capital guaranty account replaces a deficit in undivided earnings, allowing the credit union to continue operations and pay dividends while it amortizes its negative net worth. The guaranty does not mask the financial condition of the credit union.

**PERCENTAGE OF SHARES BY CAMEL CATEGORY**

| CATEGORY | 1992 | 1993 | 1994 |
|---|---|---|---|
| Code 1 & 2 | 74.8% | 83.9% | 89.6% |
| Code 3 | 21.8 | 14.3 | 9.5 |
| Code 4 | 3.3 | 1.8 | 0.9 |
| Code 5 | 0.1 | 0.0 | 0.0 |
| **Totals** | **100.0%** | **100.0%** | **100.0%** |

**SUMMARY OF CAMEL CODE 4 & 5 CREDIT UNIONS**

| | 1992 | 1993 | 1994 |
|---|---|---|---|
| Number of Code 4 & 5 credit unions | 608 | 474 | 319 |
| Percentage of insured credit unions | 4.6% | 3.8% | 2.6% |
| Shares in Code 4 & 5 credit unions | $74 billion | $43 billion | $2.4 billion |
| Percentage of NCUSIF natural person insured shares | 3.4% | 1.8% | .96% |

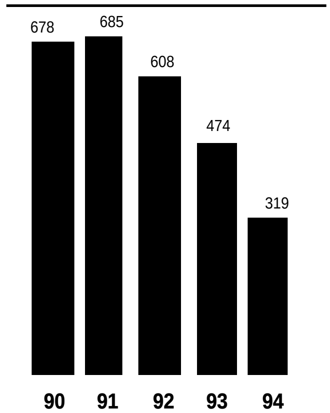
# FUND ASSISTANCE

| CHANGES IN NCUSIF GUARANTY ACCOUNTS (IN THOUSANDS) | |
|---|---|
| **Guaranty accounts outstanding** | |
| October 1, 1993 (15 cases) | $ 16,587 |
| **Increases** | |
| 6 credit unions needed initial assistance | 1,190 |
| 10 credit unions needed additional assistance | 1,428 |
| **Decreases** | |
| 8 credit unions merged/liquidated | (12,920) |
| 6 credit unions completed amortization of assistance | ( 779) |
| Guaranty reduction in outstanding cases | ( 2,657) |
| **Type of credit union** | |
| Federal credit unions (7) | 2,849 |
| Federally insured state credit unions (0) | 0 |
| **Guaranty accounts outstanding** | |
| September 30, 1994 (7 cases) | 2,849 |

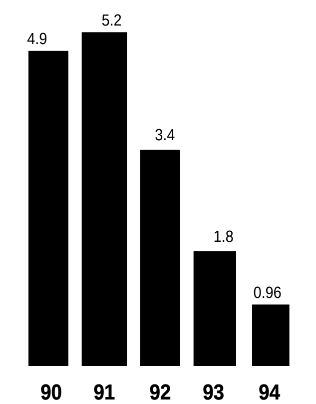
| CHANGES IN CASH ASSISTANCE OUTSTANDING (IN THOUSANDS) | |
|---|---|
| **Cash assistance outstanding** | |
| October 1, 1993 (3 cases) | $6,634 |
| **Increases** | |
| 1 credit union needed initial assistance | 2,033 |
| **Decreases** | |
| 1 credit union earned incentive reductions | 950 |
| 2 credit unions repaid balance of assistance | 5,034 |
| Reduction in outstanding cases | 5,984 |
| **Cash assistance outstanding** | |
| September 30, 1994 (2 cases) | $ 2,683 |

Kimberly Dishong, financial analyst

**NUMBER OF PROBLEM CREDIT UNIONS**
SEPTEMBER 30 (CAMEL CODES 4 & 5)




**PERCENTAGE OF PROBLEM SHARES TO TOTAL INSURED SHARES**
SEPTEMBER 30 (BY PERCENT)



# INSURANCE FUND TRENDS

| SEPTEMBER 30 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME (IN THOUSANDS)** | | | | | | | | | | |
| Regular premium-federal | $10,508 | — | — | — | — | — | $26,174 | $78,889 | — | — |
| Regular premium-state | 5,208 | — | — | — | — | — | 15,061 | 44,985 | — | — |
| Interest income | 83,789 | 121,080 | 112,407 | 127,075 | 146,612 | 159,096 | 162,979 | 148,659 | 142,027 | 147,564 |
| Other income | 708 | 346 | 339 | 530 | 2,188 | 1,168 | 3,195 | 5,512 | 4,223 | 2,258 |
| **Total income** | **$100,213** | **$121,426** | **$112,746** | **$127,605** | **$148,800** | **$160,264** | **$207,409** | **$278,045** | **$146,250** | **$149,822** |
| **EXPENSES (IN THOUSANDS)** | | | | | | | | | | |
| Operating | $10,927 | $16,822 | $21,466 | $26,588 | $30,817 | $35,153 | $40,353 | $46,161 | $43,574 | $44,132 |
| Insurance losses | 25,472 | 37,864 | 55,732 | 60,122 | 93,608 | 89,982 | 163,000 | 112,000 | 60,000 | 26,000 |
| Losses on investment sales | 2,326 | — | — | — | — | — | — | — | — | — |
| **Total expenses** | **$36,399** | **$54,686** | **$77,198** | **$86,710** | **$124,425** | **$125,135** | **$203,353** | **$158,161** | **$103,574** | **$ 70,132** |
| Net Income (in thousands) | $63,814 | $66,740 | $35,548 | $40,895 | $24,375 | $35,129 | $4,056 | $119,884 | $42,676 | $ 79,690 |
| **DATA HIGHLIGHTS** | | | | | | | | | | |
| Total equity (in thousands) | $1,119,356 | $1,411,391 | $1,602,251 | $1,855,911 | $1,972,502 | $2,052,635 | $2,257,124 | $2,555,449 | $2,814,253 | $3,054,308 |
| Equity as a percentage of shares in insured credit unions | 1.28% | 1.23%[1] | 1.23% | 1.24% | 1.25% | 1.25% | 1.23% | 1.26% | 1.26% | 1.27% |
| Contingent liabilities (in thousands) | $4,131 | $4,684 | $5,572 | $3,407 | $10,663 | $7,803 | $6,734 | $73,594 | $1,334 | $22 |
| Contingent liabilities as a percentage of equity | 0.4% | 0.3% | 0.3% | 0.2% | 0.5% | 0.4% | 0.3% | 2.9% | 0.0% | 0.0% |
| NCUSIF loss per $1,000 of insured shares | $0.26 | $0.30 | $0.38 | $0.38 | $0.58 | $0.51 | $0.83 | $0.51 | $0.25 | $0.10 |
| **OPERATING RATIOS** | | | | | | | | | | |
| Premium income | 15.7% | — | — | — | — | — | 19.9% | 44.5% | — | — |
| Interest income | 83.6% | 99.7% | 99.7% | 99.6% | 98.5% | 99.3% | 78.6% | 53.5% | 97.1% | 98.5% |
| Other income | 0.7% | 0.3% | 0.3% | 0.4% | 1.5% | 0.7% | 1.5% | 2.0% | 2.9% | 1.5% |
| Operating expenses | 10.9% | 13.9% | 19.1% | 20.8% | 20.7% | 21.9% | 19.5% | 16.6% | 29.8% | 29.5% |
| Insurance losses | 25.4% | 31.2% | 49.4% | 47.1% | 62.9% | 56.1% | 78.6% | 40.3% | 41.0% | 17.4% |
| Total expenses | 36.3% | 45.1% | 68.5% | 67.9% | 83.6% | 78.1% | 98.1% | 56.9% | 70.8% | 46.8% |
| Net income | 63.7% | 54.9% | 31.5% | 32.1% | 17.4% | 21.9% | 1.9% | 43.1% | 29.2% | 53.2% |
| **INVOLUNTARY LIQUIDATIONS COMMENCED** | | | | | | | | | | |
| Number | 31 | 36 | 33 | 35 | 54 | 83 | 89 | 81 | 54 | 27 |
| Share payouts (in thousands) | $15,499 | $22,168 | $3,213 | $36,110 | $21,687 | 70,875 | $117,710 | $124,857 | $57,303 | $21,112 |
| Share payouts as a percentage of total insured shares | 0.014% | 0.020% | 0.002% | 0.023% | 0.013% | 0.040% | 0.067% | 0.057% | 0.024% | 0.008% |

[1]IN JULY 1986, THE NCUA BOARD APPROVED A CHANGE IN THE INSURANCE YEAR FROM DECEMBER 31 TO JUNE 30

# INSURANCE FUND TRENDS

| SEPTEMBER 30 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| **MERGERS—FISCAL YEAR** | | | | | | | | | | |
| Assisted | 63 | 58 | 55 | 50 | 60 | 81 | 41 | 33 | 17 | 6 |
| Unassisted | 514 | 515 | 489 | 464 | 395 | 386 | 357 | 352 | 328 | 342 |
| **ASSISTANCE TO AVOID LIQUIDATION** | | | | | | | | | | |
| Capital notes and other cash advances outstanding | $33,266 | $22,396 | $5,031 | $5,117 | $39,360 | $67,891 | $35,101 | $101,228 | $6,634 | $2,673 |
| Non-cash guaranty accounts | $36,946 | $39,903 | $39,564 | $41,127 | $53,959 | $98,576 | $179,595 | $88,286 | 16,587 | 2,849 |
| Number of active cases | 45 | 30 | 16 | 25 | 43 | 42 | 51 | 27 | 15 | 7 |
| **NUMBER OF PROBLEM CASE INSURED CREDIT UNIONS (CODE 4 & 5)** | | | | | | | | | | |
| Number | 742 | 794 | 929 | 1,022 | 794 | 678 | 685 | 608 | 474 | 319 |
| Shares (millions) | $4,055 | $6,611 | $8,135 | $10,600 | $8,400 | $9,400 | $10,400 | $7,400 | $4,300 | $2,430 |
| Problem case shares as a percentage of insured shares | 3.9% | 4.9% | 4.9% | 6.3% | 4.8% | 4.9% | 5.2% | 3.4% | 1.8% | .96% |

| DECEMBER 31 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| **SHARES IN INSURED CREDIT UNIONS (IN MILLIONS)[1]** | | | | | | | | | | |
| Federal credit unions | $71,615 | $86,709 | $94,927 | $104,431 | $109,653 | $117,881 | $127,316 | $142,139 | 149,229 | $155,483 |
| State credit unions | 37,917 | 47,476 | 51,417 | 55,217 | 57,518 | 62,082 | 72,467 | 87,386 | 91,101 | 92,173 |
| **Total shares** | **$109,532** | **$134,185** | **$146,344** | **$159,648** | **$167,171** | **$179,963** | **$199,783** | **229,525** | **240,330** | **247,653** |
| **NUMBER OF MEMBER ACCOUNTS IN INSURED CREDIT UNIONS (IN THOUSANDS)** | | | | | | | | | | |
| Federal credit unions | 29,576 | 31,041 | 32,067 | 57,235 | 53,301 | 55,222 | 57,077 | 58,366 | 60,746 | 78,800 |
| State credit unions | 15,689 | 17,362 | 17,999 | 27,376 | 32,547 | 30,726 | 33,646 | 34,749 | 36,459 | 45,300 |
| **Total** | **45,265** | **48,403** | **50,066** | **84,611** | **85,848** | **85,948** | **90,723** | **93,115** | **97,205** | **124,100** |
| **NUMBER OF INSURED CREDIT UNIONS** | | | | | | | | | | |
| Federal credit unions | 10,125 | 9,758 | 9,401 | 9,118 | 8,821 | 8,539 | 8,229 | 7,908 | 7,696 | 7,497 |
| State credit unions | 4,920 | 4,935 | 4,934 | 4,760 | 4,552 | 4,349 | 4,731 | 4,686 | 4,621 | 4,494 |
| **Total** | **15,045** | **14,693** | **14,335** | **13,878** | **13,373** | **12,888** | **12,960** | **12,594** | **12,317** | **11,991** |
| Shares in insured credit unions as a percentage of all credit union shares | 91.6% | 96.4% | 96.0% | 96.1% | 96.0% | 96.0% | 96.2% | 96.4% | 98.0% | 98.0% |
| State credit union portion of insured shares | 34.6% | 35.4% | 35.1% | 34.6% | 34.4% | 34.6% | 36.3% | 38.1% | 37.9% | 37.2% |

[1]INSURED SHARES IN FEDERALLY INSURED NATURAL PERSON CREDIT UNIONS ONLY

# OPERATING FUND FINANCIAL RESULTS

In 1994, NCUA made a number of operational changes which will affect the way it conducts business in 1995. Credit unions will have the advantage of paying their capitalization deposit adjustment and operating fee electronically. All payments to NCUA employees are now made electronically and in 1995 vendors and suppliers will also receive payments electronically.

One area which did not change was NCUA's strong financial condition. Total operating expenses were under budget and revenue exceeded expenses, causing the Operating Fund's equity balance to increase from $14.3 million in 1993 to $17.1 million in 1994. Actual operating expenses were under budget by 6.7 percent, primarily due to reduced salary and benefit expense associated with the agency's average vacancy rate of 17 positions and an annual turnover rate of 7.8 percent.

One area which did not change was NCUA's strong financial condition.

The NCUA Board changed its fiscal year to coincide with the calendar year, effective Jan. 1, 1995, with a transition quarter of October through December 1994. The Operating Fund's equity balance funded the transition quarter without additional cost to credit unions.

NCUA shares its operating costs with the Share Insurance Fund through a monthly accounting procedure known as the overhead transfer. Based on a study of staff time, the rate remained at 50 percent for 1994.

Revenue to fund the cost of operations comes primarily from annual federal credit union fees. All excess cash is invested in U.S. Treasury securities that produce income. In addition, miscellaneous income is provided by sale of publications.

The operating fee assessment is calculated by applying the assessment rate scale to the previous June 30 assets of individual federal credit unions. The 1994 assessment rate was reduced by 5.9 percent due to projected 8.55 percent asset growth and a 1994 budget increase of 3 percent. The assessment rate for 1995 will be reduced another 7.3 percent for assets reported Dec. 31, 1994.

Total revenue of $45.7 million for fiscal year 1994 exceeded the original projection of $335,194 or 0.74 percent. Interest income for the year exceeded budget due to rising rates.

For the tenth consecutive year, independent accountants rendered unqualified opinions for NCUA's financial units. Their audit reports and the comparative financial statements of the Operating Fund, the Share Insurance Fund, and the Central Liquidity Facility for fiscal years 1994 and 1993 follow.

(left to right) Employee Relations Specialist Connie Cox, Human Resources Director Dorothy W. Foster

# INDEPENDENT ACCOUNTANT'S REPORT

**NCUA Consolidated Audit Opinion**
**and Financial Statements For The Years Ended**
**September 30, 1994 and 1993**

To the Inspector General of the
National Credit Union Administration

In our opinion, the financial statements appearing on pages 26-39 of this report present fairly, in all material respects, the financial position of the National Credit Union Administration's Operating Fund (pages 26-29), of the Share Insurance Fund (pages 30-35), and of the Central Liquidity Facility (pages 36-39), at September 30, 1994 and 1993, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

From the Office of Training And Development: (left to right) Employee Development Assistant Karen Evans, Employee Development Specialist Martin Kushner, Employee Development Assistant Joyce Henderson

Price Waterhouse
Washington, D. C.
November 7, 1994

# NCUA OPERATING FUND

**NATIONAL CREDIT UNION ADMINISTRATION - OPERATING FUND**
**BALANCE SHEETS (in thousands of dollars)**

| | September 30 1994 | 1993 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $24,389 | $17,678 |
| Due from National Credit Union Share Insurance Fund | | 838 |
| Employee advances | 183 | 223 |
| Other accounts receivable | 410 | 734 |
| Prepaid expenses | 304 | 303 |
| Construction in progress | | |
| Fixed assets, net of accumulated depreciation and amortization | 42,510 | 44,052 |
| Employee residences held for resale | 311 | 53 |
| Total assets | **$68,107** | **$63,881** |
| **LIABILITIES AND FUND BALANCE** | | |
| Accounts payable | $ 1,674 | $3,695 |
| Due to National Credit Union Share Insurance Fund | 856 | |
| Accrued wages and benefits | 2,822 | 2,157 |
| Accrued annual leave | 4,344 | 4,158 |
| Accrued employee travel | 719 | 719 |
| Notes payable to National Credit Union Share Insurance Fund | 40,579 | 38,880 |
| **Total liabilities** | **50,994** | **49,609** |
| Fund balance | 17,113 | 14,272 |
| Commitments (Note E) | | |
| **Total liabilities and fund balance** | **$68,107** | **$63,881** |

**NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND**
**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE**
**(Expressed in thousands of dollars)**

| | Year ended September 30, 1994 | 1993 |
|---|---|---|
| **Revenue:** | | |
| Operating fee | $43,962 | $44,292 |
| Interest | 1,387 | 989 |
| Other | 382 | 652 |
| **Total revenue** | **45,731** | **45,933** |
| **Expenses:** | | |
| Employee wages and benefits | 31,859 | 30,120 |
| Travel | 4,765 | 4,336 |
| Rent, communications and utilities | 1,636 | 2,769 |
| Contracted services | 1,090 | 1,446 |
| Other | 3,540 | 3,359 |
| **Total administrative expenses** | **42,890** | **42,030** |
| **Excess of revenue over expenses** | 2,841 | 3,903 |
| Fund balance at beginning of year | 14,272 | 10,369 |
| **Fund balance at end of year** | **$17,113** | **$14,272** |

The accompanying notes are an integral part of these financial statements.

## NATIONAL CREDIT UNION ADMINISTRATION - OPERATING FUND
## STATEMENTS OF CASH FLOWS (In thousands of dollars)

| | Year ended September 30 1994 | 1993 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Excess of revenue over expenses | $ 2,841 | $ 3,903 |
| Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,737 | 1,213 |
| Changes in operating assets and liabilities: | | |
| Amounts due from National Credit Union Share Insurance Fund | 838 | 762 |
| Employee advances | 40 | 33 |
| Other accounts receivable | 324 | 74 |
| Prepaid expenses | (1) | 80 |
| Employee residences held for resale | (258) | 179 |
| Accounts payable | (2,021) | 632 |
| Amounts due to National Credit Union Share Insurance Fund | 856 | |
| Accrued wages and benefits | 665 | 80 |
| Accrued annual leave | 186 | 192 |
| Accrued employee travel | | (75) |
| **Net cash provided by operating activities** | **5,207** | **7,073** |
| **Cash flows from investing activities:** | | |
| Purchases of fixed assets | (875) | (374) |
| Disposals of fixed assets | 680 | |
| Construction in progress | | (29,082) |
| **Net cash used in investing activities** | **(195)** | **(29,456)** |
| **Cash flows from financing activities:** | | |
| Repayments of note payable | (1,405) | (72) |
| Proceeds from note payable | 3,104 | 27,052 |
| Net cash provided by financing activities | **1,699** | **26,980** |
| **Net increase in cash and cash equivalents** | 6,711 | 4,597 |
| **Cash and cash equivalents at beginning of year** | 17,678 | 13,081 |
| **Cash and cash equivalents at end of year** | $24,389 | $17,678 |

The accompanying notes are an integral part of these financial statements.

## National Credit Union Administration Operating Fund

### Notes To Financial Statements September 30, 1994 and 1993

**NOTE A - ORGANIZATION AND PURPOSE**

The National Credit Union Administration - Operating Fund (the Fund) was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration Board for the purpose of providing administration and service to the Federal Credit Union System.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

**Cash Equivalents**

The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. All investments in fiscal years 1994 and 1993 were cash equivalents and are stated at cost which approximates market. Cash equivalents are highly liquid investments with original maturities of three months or less.

**Depreciation and Amortization**

Building, furniture and equipment and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the building and furniture and equipment and the shorter of the estimated useful life or lease term for leasehold improvements. Estimated useful lives are forty years for the building and three to ten years for the furniture and equipment and leasehold improvements. No depreciation was provided on construction in progress until the building was placed into service. Interest costs related to the building were capitalized as incurred until the building was placed into service.

**Operating Fees**

James J. Engel, deputy general counsel

The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding June 30. The fee is designed to cover the costs of providing administration and service to the Federal Credit Union System. The Fund recognizes operating fee revenue ratably over the fiscal year.

**Income Taxes**

The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

**Reclassification**

Certain prior year balances have been reclassified to conform with the current year presentation, the effect of which is immaterial.

**Fair Value of Financial Instruments**

At September 30, 1994 and 1993, cash and cash equivalents, receivable from National Credit Union Share Insurance Fund (NCUSIF), employee advances, other accounts receivable, accounts payable and notes payable to NCUSIF are recorded at book values, which approximate the respective fair market values.

**NOTE C - FIXED ASSETS**

Fixed assets are comprised of the following (in thousands):

| | September 30, | |
|---|---|---|
| | 1994 | 1993 |
| Office building and land | $42,229 | $42,669 |
| Furniture and equipment | 10,652 | 10,112 |
| Leasehold improvements | 213 | 631 |
| Total | 53,094 | 53,412 |
| Less: Accumulated depreciation and amortization | 10,584 | 9,360 |
| Fixed assets, net | $42,510 | $44,052 |

**NOTE D - TRANSACTIONS WITH NCUSIF**

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board derived from an estimate of actual usage. The allocation factor was 50% to NCUSIF and to the Fund for the years ended September 30, 1994 and 1993. The cost of the services allocated to NCUSIF, which totaled approximately $42,890,000 and $42,030,000 for the years ended September 30, 1994 and 1993, respectively, are reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In fiscal year 1988, the Fund entered into a $2,161,000 thirty-year unsecured term note with NCUSIF, for the purchase of a building. The total interest paid in fiscal years 1994 and 1993 was $87,000 and $100,000, respectively. The outstanding principal balance at September 30, 1994 and 1993 was $1,692,000 and $1,765,000, respectively.

In fiscal year 1992, the Fund entered into a commitment to borrow up to $41,975,000 in a thirty-year secured term note with NCUSIF. The monies were drawn as needed to fund the costs of constructing a new building. Interest paid during fiscal years

1994 and 1993 totaled $1,927,000 and $1,343,000, respectively; amount paid during 1993 was capitalized as building cost. The note payable balance at September 30, 1994 and 1993 was $38,887,000 and $37,115,000, respectively.

The above notes require principle repayments as follows (in thousands):

| | Unsecured Term Note | Secured Term Note | Total |
|---|---|---|---|
| 1995 | $72 | $1,344 | $1,416 |
| 1996 | 72 | 1,344 | 1,416 |
| 1997 | 72 | 1,344 | 1,416 |
| 1998 | 72 | 1,344 | 1,416 |
| 1999 | 72 | 1,344 | 1,416 |
| Thereafter | 1,332 | 32,167 | 33,499 |
| Total | 1,692 | $ 38,887 | $ 40,579 |

The variable rate on both notes is equal to NCUSIF's prior month yield on investments. The average interest rate during fiscal year 1994 and 1993 was approximately 5.03% and 5.40%, respectively. At September 30, 1994, the monthly interest rate was 5.07%.

**NOTE E - COMMITMENTS**

The Fund leases office space under lease agreements which expire through 2003. Office rental charges amounted to approximately $914,000 and $3,268,000 of which approximately $457,000 and $1,634,000 was reimbursed by NCUSIF for the years ended September 30, 1994 and 1993, respectively. In addition, the Fund leases office equipment under operating leases with lease terms less than one year.

The future minimum lease payments as of September 30, 1994, are as follows (in thousands):

| | |
|---|---|
| 1995 | $ 747 |
| 1996 | 796 |
| 1997 | 845 |
| 1998 | 790 |
| 1999 | 515 |
| Thereafter | 651 |
| Total | $ 4,344 |

Based on the allocation factor approved by the NCUA Board for fiscal year 1994, NCUSIF will reimburse the Fund for approximately 50% of the future lease payments.

**NOTE F - RETIREMENT PLAN**

The employees of the Fund are participants in the Civil Service Retirement and Disability Fund which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit retirement plans covering all of the employees of the Fund. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan and a Savings Plan. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan employees can also elect additional contributions between 1% and 10% of their gross pay and the Fund will match up to 5% of the employees' gross pay. The Fund's contributions to the plans were approximately $6,249,000 and $5,865,000 of which $3,125,000 and $2,933,000 were reimbursed by NCUSIF for the years ended September 30, 1994 and 1993, respectively.

The Fund does not account for the assets of the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers.

John Faith, division of product services director

## NATIONAL CREDIT UNION SHARE INSURANCE FUND
## BALANCE SHEETS (In thousands of dollars)

| | September 30, 1994 | September 30, 1993 |
|---|---:|---:|
| **ASSETS** | | |
| Investments | $2,998,908 | $2,617,934 |
| Cash and cash equivalents | 52,227 | 156,049 |
| Accrued interest receivable | 36,006 | 33,238 |
| Assets acquired in assistance to insured credit unions | 35,178 | 59,139 |
| Capital notes advanced to insured credit unions | 2,673 | 6,634 |
| Due from National Credit Union Administrative Operating Fund | 856 | |
| Notes receivable - National Credit Union Administration Operating Fund | 40,579 | 38,880 |
| Other notes receivable | 2,102 | 1,137 |
| **Total assets** | **$3,168,529** | **$2,913,011** |
| **LIABILITIES AND FUND CAPITALIZATION** | | |
| Estimated losses from supervised credit unions | $ 94,407 | $ 85,980 |
| Estimated losses from asset and merger guarantees | 481 | 3,930 |
| Refunds of contributions payable to insured credit unions | 13,173 | |
| Amounts due to insured shareholders of liquidated credit unions | 5,712 | 7,646 |
| Due to National Credit Union Administration Operating Fund | | 838 |
| Accounts payable | 448 | 364 |
| **Total liabilities** | **114,221** | **98,758** |
| Fund capitalization: | | |
| Insured credit unions' accumulated contributions | 2,369,345 | 2,208,980 |
| Insurance fund balance | 684,963 | 605,273 |
| **Total fund capitalization** | **3,054,308** | **2,814,253** |
| Commitments (Notes C, H and I) | | |
| **Total liabilities and fund capitalization** | **$3,168,529** | **$2,913,011** |

The accompanying notes are an integral part of these financial statements.

# SHARE INSURANCE FUND

**NATIONAL CREDIT UNION SHARE INSURANCE FUND**
**STATEMENTS OF OPERATIONS (in thousands of dollars)**

| | Year ended September 30, 1994 | 1993 |
|---|---|---|
| Revenue: | | |
| Interest | $147,564 | $142,027 |
| Other | 2,258 | 4,223 |
| Total revenue | **149,822** | **146,250** |
| Expenses: | | |
| Administrative expenses | | |
| Employee wages and benefits | 31,859 | 30,917 |
| Travel | 4,765 | 4,340 |
| Rent, communications and utilities | 1,636 | 2,769 |
| Contracted services | 1,090 | 1,446 |
| Other | 4,782 | 4,102 |
| Total administrative expenses | 44,132 | 43,574 |
| Provision for insurance losses | 26,000 | 60,000 |
| Total expenses | **70,132** | **103,574** |
| Excess of revenue over expenses | **$ 79,690** | **$ 42,676** |

**NATIONAL CREDIT UNION SHARE INSURANCE FUND**
**STATEMENTS OF INSURED CREDIT UNIONS' ACCUMULATED CONTRIBUTIONS AND INSURANCE FUND BALANCE (in thousands of dollars)**

| | Insured Credit Unions' Accumulated Contributions | Insurance Fund Balance |
|---|---|---|
| Balance at September 30, 1992 | **$1,992,852** | **$562,597** |
| Contributions from insured credit unions | 229,850 | |
| Refunds of contributions from insured credit unions | (13,722) | |
| Excess of revenue over expenses | | 42,676 |
| Balance at September 30, 1993 | **2,208,980** | **605,273** |
| Contributions from insured credit unions | 173,538 | |
| Refunds of contributions from insured credit unions | (13,173) | |
| Excess of revenue over expenses | | 79,690 |
| Balance at September 30, 1994 | **$2,369,345** | **$684,963** |

The accompanying notes are an integral part of these financial statements.

## NATIONAL CREDIT UNION SHARE INSURANCE FUND
## STATEMENTS OF CASH FLOWS (In thousands of dollars)

| | Year ended September 30, 1994 | 1993 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Excess of revenue over expenses | $79,690 | $42,676 |
| Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities: | | |
| Amortization of investment premiums | | |
| Provision for insurance losses | 26,000 | 60,000 |
| Payments relating to losses from supervised credit unions and asset and merger guarantees, net | (21,022) | (94,561) |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable | (2,768) | (623) |
| Assets acquired from credit unions, net | 23,961 | 67,140 |
| Capital notes advanced to credit unions | 3,961 | 94,594 |
| Amounts due from National Credit Administration Operating Fund | (856) | |
| Amounts due to National Credit Union Administration Operating Fund | (838) | (762) |
| Other notes receivable | (965) | 11,661 |
| Amounts due to insured shareholders of liquidated credit unions | (1,934) | (5,039) |
| Accounts payable | 84 | (1,453) |
| **Net cash provided by operating activities** | **105,313** | **173,633** |
| **Cash flows used in investing activities:Investments, net** | (380,974) | (624,132) |
| Issuance of note receivable - National Credit Union Administration Operating Fund | (3,104) | (27,052) |
| Collections on note receivable - National Credit Union Administration Operating Fund | 1,405 | 72 |
| **Net cash used in investing activities** | **(382,673)** | **(651,112)** |
| **Cash flows from financing activities:** | | |
| Contributions from insured credit unions | 173,538 | 229,850 |
| Refunds of contributions from insured credit unions | | (13,722) |
| **Net cash provided by financing activities** | **173,538** | **216,128** |
| **Net decrease in cash and cash equivalents** | (103,822) | (261,351) |
| **Cash and cash equivalents at beginning of year** | 156,049 | 417,400 |
| **Cash and cash equivalents at end of year** | $52,227 | $156,049 |

The accompanying notes are an integral part of these financial statements.

## National Credit Union Share Insurance Fund

### Notes to Financial Statements
### September 30, 1994 and 1993

**NOTE A - ORGANIZATION AND PURPOSE**

The National Credit Union Share Insurance Fund (the Fund) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) which was amended in 1984 by Public Law 98-369 as discussed in Note D. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is $100,000 per shareholder account.

There are no significant concentrations of member share deposits within any region of the United States. Concentrations of member shares do exist within the manufacturing, governmental and educational industries.

NCUA exercises direct supervisory authority over federal credit unions and coordinates required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semi-annual or quarterly basis depending on the size of the credit union and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if the difficulties are considered by the Fund to be temporary or correctable. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is not feasible, a merger partner may be sought. If the assistance or merger alternatives are not practical, the credit union is liquidated.

The first forms of special assistance are waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the Fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the Fund will liquidate the credit union, dispose of its assets and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are sometimes guaranteed to third-party purchasers by the Fund.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

**Cash Equivalents and Investments**

Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less.

During fiscal year 1994, the Fund adopted Financial Accounting Standards Board Statement (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities" and has classified all investments as held-to-maturity. Accordingly, the Fund continues to records investments at amortized cost.

**Advances to Insured Credit Unions**

The Fund provides cash assistance in the form of interest and non-interest bearing capital notes (carried at face value), share deposits and loans to certain credit unions to assist them in continuing operations.

**Assets Acquired from Credit Unions**

The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring non-performing assets of a credit union experiencing financial difficulty. Such assets acquired are recorded at their estimated net realizable value.

**Premium Revenue**

The Fund may assess each insured credit union a regular annual premium of 1/12 of 1% of its member share deposits (insured member share deposits in the case of corporate credit unions) outstanding as of June 30 of the preceding insurance year. The NCUA Board waived the 1994 and 1993 share insurance premium.

**Income Taxes**

The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

**Fair Value of Financial Instruments**

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

**Cash and cash equivalents** - The carrying amounts for cash and cash equivalents approximate fair values.

**Investments** - The fair value for investments is the quoted market value.

**Capital notes and other notes receivable** - The fair value of these assets is not practicable to estimate as there is no secondary market and the Fund holds these notes to maturity.

Accrued interest receivable, notes receivable from NCUA Operating Fund, payable to NCUA Operating Fund, due to insured shareholders of liquidated credit unions and other accounts payable are recorded at book values, which approximate the respective fair values.

**NOTE C - PROVISION FOR INSURANCE LOSSES**

Management identifies credit unions experiencing financial difficulty through the supervisory and examination process. The estimated losses from these supervised credit unions are determined by management on a case-by-case evaluation.

In exercising its supervisory function, the Fund will, at times, extend guarantees of assets (primarily loans) to third party purchasers or to credit unions to facilitate mergers; such guarantees totaled approximately $22,000 and $1,300,000 at September 30, 1994 and 1993, respectively. The estimated losses from asset and merger guarantees are determined by management on a case-by-case evaluation.

In addition, the Fund guarantees loans made by the Central Liquidity Facility (CLF) and Corporate Credit Unions to credit unions. Total outstanding line-of-credit guarantees at September 30, 1994 and 1993 are approximately $230,000 and $5,000,000, respectively. Total undivided earnings deficit guarantees of credit unions at September 30, 1994 and 1993 are approximately $73,200,000 and $159,090,000, respectively.

The activity in the reserves for estimated losses from supervised credit unions and asset and merger guarantees for the years ended September 30, 1994 and 1993 was as follows (in thousands):

| | Year ended September 30, 1994 | 1993 |
|---|---|---|
| Beginning balance | $89,910 | $124,470 |
| Provision for insurance losses | 26,000 | 60,000 |
| Insurance losses | (55,980) | (132,030) |
| Recoveries | 34,958 | 37,470 |
| Ending balance | $94,888 | $ 89,910 |

**NOTE D - FUND CAPITALIZATION**

Title VIII of Public Law 98-369, effective July 14, 1984, provided for the capitalization of the Fund through the contribution by each insured credit union of an amount equal to 1% of the credit union's insured shares to be paid initially by January 21, 1985, and to be adjusted annually thereafter. The annual adjustment of the contribution is based on member share deposits outstanding as of June 30 of the preceding fiscal year and is billed on a calendar year basis. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, insurance coverage is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The law requires that, upon receipt of the 1% contribution, the total Fund balance must be maintained at a normal operation level as determined by the NCUA Board. The NCUA Board has determined this level to range from 1.25% to 1.3% of insured shares. The level at September 30, 1994 and 1993 was 1.27% and 1.26%, respectively. Total insured shares at June 30, 1994 were $253,125,057,000.

The NCUA Board did not declare any dividends during 1994 or 1993.

Investments consist of the following (in thousands):

September 30, 1994

| | Yield to Maturity at Market | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
|---|---|---|---|---|---|
| U.S. Treasury Securities | | | | | |
| Maturities up to one year | 4.51% | $ 423,372 | | $ 2,794 | $ 420,578 |
| Maturities after one year through five years | 5.76% | 2,575,536 | | 94,138 | 2,481,398 |
| | | $2,998,908 | | $96,932 | $2,901,976 |

September 30, 1993

| | Yield to Maturity at Market | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
|---|---|---|---|---|---|
| U.S. Treasury Securities | | | | | |
| Maturities up to one year | 6.52% | $ 857,269 | $ 7,903 | | $ 865,172 |
| Maturities after one year through five years | 5.90% | 1,760,665 | 37,695 | | 1,798,360 |
| | | $2,617,934 | $45,598 | | $2,663,532 |

**NOTE E - CASH EQUIVALENTS AND INVESTMENTS**

All cash received by the Fund which is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

Total investment purchases during fiscal years 1994 and 1993 were approximately $1,251,758,000 and $2,540,602,000, respectively. Investment maturities during fiscal years 1994 and 1993 were approximately $850,000,000 and $950,000,000, respectively. The Fund has the capability and management has the intention to hold all investments held at September 30, 1994 to maturity. There were no investment sales during fiscal year 1994.

**NOTE F - OTHER NOTES RECEIVABLE**

The Fund entered into both secured and unsecured term notes related to the sale of assets held by the Asset Liquidation Management Center and recoveries on failed credit unions. The notes are being repaid in monthly principal installments with terms ranging from one to thirty years and interest rates ranging from 8.0% to 10.5%.

**NOTE G - AVAILABLE BORROWINGS**

The Fund is authorized under the Federal Credit Union Act to borrow from the Treasury of the United States upon authorization by the NCUA Board to a maximum of $100,000,000 outstanding at any one time. The CLF is authorized to make advances to the Fund under such terms and conditions as may be established by the NCUA Board. No amounts were borrowed from these sources during 1994 or 1993.

**NOTE H - TRANSACTIONS WITH NCUA OPERATING FUND**

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. NCUA charges the Fund for these services based on an annual allocation factor approved by the NCUA Board derived from a study conducted by these Funds of actual usage. The allocation factor was 50% to the Fund and 50% to the NCUA Operating Fund in the years ended September 30, 1994 and 1993. The cost of services provided by the NCUA Operating Fund was approximately $42,890,000 and $42,030,000 for 1994 and 1993, respectively, and includes pension contributions of approximately $3,125,000 and $2,933,000 to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans for 1994 and 1993, respectively.

In fiscal year 1988, the Fund entered into a $2,161,000 thirty-year unsecured term note with the NCUA Operating Fund. Total interest received in fiscal years 1994 and 1993 was $87,000 and $100,000, respectively. The note receivable balance at September 30, 1994 and 1993 was $1,692,000 and $1,765,000, respectively.

In fiscal year 1992, the Fund entered into a commitment to fund up to $41,975,000 thirty-year secured term note with the NCUA Operating Fund. The monies were advanced to the NCUA Operating Fund as needed to fund the costs of constructing a new building. Interest received during fiscal years 1994 and 1993 totaled $1,927,000 and $1,343,000, respectively. The note receivable balance at September 30, 1994 and 1993 was $38,887,000 and $37,115,000, respectively.

The above notes mature as follows (in thousands):

| | Unsecured Term Note | Secured Term Note | Total |
|---|---|---|---|
| 1995 | $ 72 | $ 1,344 | $ 1,416 |
| 1996 | 72 | 1,344 | 1,416 |
| 1997 | 72 | 1,344 | 1,416 |
| 1998 | 72 | 1,344 | 1,416 |
| 1999 | 72 | 1,344 | 1,416 |
| Thereafter | 1,332 | 32,167 | 33,499 |
| Total | $1,692 | $38,887 | $40,579 |

The variable rate on both term notes is equal to the Fund's prior month yield on investments. The average interest rate during fiscal year 1994 and 1993 was approximately 5.03% and 5.40%, respectively. At September 30, 1994, the monthly interest rate was 5.07%.

The NCUA Operating Fund leases certain office space under lease agreements which expire through 2003. Based on the allocation factor approved by the NCUA Board of Directors for fiscal year 1994, the Fund will reimburse the NCUA Operating Fund for approximately 50% of the future lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $457,000 and $1,634,000 for 1994 and 1993, respectively. The amounts were derived using the current annual allocation factor.

The NCUA Operating Fund's total future minimum lease payments as of September 30, 1994, are as follows (in thousands):

| | |
|---|---|
| 1995 | $ 747 |
| 1996 | 796 |
| 1997 | 845 |
| 1998 | 790 |
| 1999 | 515 |
| Thereafter | 651 |
| Total | $4,344 |

**NOTE I - COMMITMENTS**

The Fund leases office space under a lease agreement which expires in 1997. The future minimum lease payments as of September 30, 1994 are as follows:

| | |
|---|---|
| 1995 | $ 78,000 |
| 1996 | 85,000 |
| 1997 | 59,000 |
| Total | $222,000 |

**NATIONAL CREDIT UNION ADMINISTRATION**
**CENTRAL LIQUIDITY FACILITY**
**BALANCE SHEETS(in thousands of dollars)**

| | September 30, 1994 | 1993 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 9 | $ 8 |
| Investments | 682,854 | 625,718 |
| Loans to members | | 1,050 |
| Accrued interest receivable | 7,701 | 5,430 |
| **Total assets** | **$690,564** | **$632,206** |
| **LIABILITIES AND EQUITY** | | |
| Liabilities | | |
| Member deposits | $ 13,136 | $ 9,755 |
| Accounts payable and other liabilities | 125 | 264 |
| **Total liabilities** | **13,261** | **10,019** |
| Equity | | |
| Capital stock - required | 665,796 | 611,321 |
| Retained earnings | 11,507 | 10,866 |
| **Total equity** | **677,303** | **622,187** |
| Commitments (Note 13) | | |
| **Total liabilities and equity** | **$690,564** | **$632,206** |

The accompanying notes are an integral part of these financial statements.

## NATIONAL CREDIT UNION ADMINISTRATION
## CENTRAL LIQUIDITY FACILITY
## STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (in thousands of dollars)

| | Year Ended September 30, 1994 | 1993 |
|---|---|---|
| **Income** | | |
| Income from investments | $24,874 | $18,641 |
| Income on loans | 8 | 12 |
| Other | | 1 |
| **Total income** | **24,882** | **18,654** |
| **Expenses** | | |
| Agent commitment fee | 376 | 376 |
| Personnel services | 134 | 212 |
| Other services | 14 | 76 |
| Rent, communications and utilities | 50 | 43 |
| Personnel benefits | 23 | 26 |
| Supplies and materials | 23 | 16 |
| Employee travel | 5 | 12 |
| Printing and reproduction | 4 | 6 |
| **Total operating expenses** | **629** | **767** |
| **Interest** | | |
| Member deposits | 220 | 184 |
| **Total expenses** | **849** | **951** |
| **Net income** | **24,033** | **17,703** |
| Dividends to members | 23,392 | 17,185 |
| Addition to retained earnings | 641 | 518 |
| Retained earnings at beginning of year | 10,866 | 10,348 |
| Retained earnings at end of year | 11,507 | 10,866 |

## NATIONAL CREDIT UNION ADMINISTRATION
## CENTRAL LIQUIDITY FACILITY
## STATEMENTS OF CASH FLOWS (in thousands of dollars)

| | September 30, 1994 | 1993 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Income from investments | $ 22,593 | $ 17,430 |
| Interest received on loans | 18 | 2 |
| Other income received | | 1 |
| Cash paid for operating expenses | (769) | (722) |
| **Net cash provided by operating activities** | **21,842** | **16,711** |
| **Cash flows from investing activities:** | | |
| Investment maturities | 60,000 | 76,714 |
| Loan principal repayments | 1,270 | 50 |
| Purchase of investments | (117,136) | (146,079) |
| Loan disbursements | (220) | (1,100) |
| **Net cash used in investing activities** | **(56,086)** | **(70,415)** |
| **Cash flows from financing activities:** | | |
| Additions to member deposits | 544 | 126 |
| Issuance of required capital stock | 55,643 | 75,221 |
| Withdrawal of member deposits | (20,774) | (17,827) |
| Redemption of required capital stock | (1,168) | (3,817) |
| **Net cash provided by financing activities** | **34,245** | **53,703** |
| **Net increase (decrease) in cash** | **1** | **(1)** |
| Cash at beginning of year | 8 | 9 |
| Cash at end of year | $ 9 | $ 8 |

The accompanying notes are an integral part of these financial statements.

## National Credit Union Central Liquidity Facility

### Notes to Financial Statements September 30, 1994 and 1993

**NOTE 1 - ORGANIZATION AND PURPOSE**

The National Credit Union Administration Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (Act). The CLF is designated as a mixed-ownership government corporation under the Government Corporation Control Act. The CLF exists within the National Credit Union Administration (NCUA) and is managed by the National Credit Union Administration Board. The CLF became operational on October 1, 1979.

The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions. The CLF is a tax-exempt organization under Section 501(c) of the Internal Revenue Code.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The CLF maintains its accounting records on the accrual basis of accounting.

**Cash Flows Reporting**

For purposes of cash flows reporting, cash consists of deposits maintained in a checking account at a commercial bank.

**Allowance for Loan Losses**

Loans to members are made on both a short-term and long-term basis. For all loans, the CLF either obtains a security interest in the assets of the borrower or in some cases receives the guarantee of the NCUA Share Insurance Fund.

The CLF evaluates the collectibility of its loans to members through examination of the financial condition of the individual borrowing credit unions and the credit union industry in general.

No allowance for loan losses was considered necessary at September 30, 1994 and 1993.

**Investments**

The CLF invests in U.S. Central and U.S. Treasury Securities (see Notes 5 and 8). All of the CLF's other investments are short-term with no maturities in excess of one year. During fiscal year 1994, the CLF adopted Financial Accounting Standards Board Statement (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities," and has classified its investments as held-to- maturity. Accordingly, investments continue to be recorded at cost.

**Fair Value of Financial Instruments**

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

**Cash** - The carrying amounts for cash approximate fair value.

**Investments** - Securities held have maturities of one year or less and, as such, the carrying amounts approximate fair value.

**Loans** - For loans advanced to member credit unions, the carrying amounts approximate fair value.

**Member Deposits** - Funds maintained with the CLF in excess of required capital amounts are recorded as member deposits. These deposits are due upon demand and the carrying amounts approximate the fair value.

**NOTE 3 - GOVERNMENT REGULATIONS**

The CLF is subject to various Federal laws and regulations. The CLF's operating budget requires Congressional approval and the CLF may not make loans to members for the purpose of expanding credit union loan portfolios. The CLF's investments are restricted to obligations of the United States Government and its agencies, deposits in Federally insured financial institutions and shares and deposits in credit unions. Borrowing is limited by statute to twelve times equity and capital subscriptions on-call. However, the CLF has a Congressionally imposed $600 million limitation on its borrowings. At September 30, 1994 and 1993, the CLF was in compliance with these limitations.

**NOTE 4 - LOANS TO MEMBERS**

During fiscal year 1994, loans were made only to member credit unions and carried interest rates which ranged from 3.32% to 3.58%. No loans were outstanding at September 30, 1994. There were $1,050,000 loans outstanding at September 30, 1993.

The CLF also provides members with extended loan commitments and lines of credit. There were $180,100,000 in outstanding commitments or lines of credit which expired at September 30, 1994. Subsequent to September 30, 1994, lines of credit to members totaling $178,500,000 have been authorized.

**NOTE 5 - INVESTMENTS**

Funds not currently required for operations are invested as follows (dollars in thousands):

| | September 30, 1994 | 1993 |
|---|---|---|
| U.S. Central (see Note 8) | | |
| Redeposits | $600,721 | $546,826 |
| Overnight investment account | 52,398 | 28,892 |
| | 653,119 | 575,718 |
| Bank time deposits | 25,000 | 50,000 |
| U.S. obligations | 4,735 | |
| | $682,854 | $625,718 |

**NOTE 6 - NOTES PAYABLE**

All of the CLF's borrowings are from the Federal Financing Bank with interest generally payable upon maturity. There were no borrowings outstanding at September 30, 1994 and 1993. The Secretary of the Treasury is authorized by the Act to lend up to $500 million to the CLF in the event that the Board certifies to the Secretary that the CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, President Reagan signed PL 97-101 which provided $100 million of permanent indefinite borrowing authority which may be provided by the Secretary of the Treasury to the CLF to meet emergency liquidity needs of credit unions.

**NOTE 7 - CAPITAL STOCK AND MEMBER DEPOSITS**

The required capital stock account represents subscriptions remitted to the CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which amount is required to be remitted to the CLF. Agent members' required subscription amounts equal one-half of one percent of the paid-in and unimpaired capital and surplus of all of the credit unions served by the agent member, one-half of which amount is required to be remitted to the CLF. In both cases the remaining one-half of the subscription is required to be held in liquid assets by the member credit unions subject to call by the National Credit Union Administration Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are declared and paid on required capital stock.

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

**NOTE 8 - U.S. CENTRAL CREDIT UNION MEMBERSHIP**

During the year ended September 30, 1984, the CLF accepted a membership request from U.S. Central Credit Union (USC) on behalf of 29 of its corporate credit union members. At September 30, 1994 and 1993, $637,263,000 and $584,064,000, respectively, of the required portion of subscribed capital stock was on deposit with the CLF by USC on behalf of its member credit unions.

In addition, by accepting this membership request, the CLF was initially committed to reinvest all but $50,000,000 of its total share capital in USC at market rates of interest. At September 30, 1994 and 1993, $653,119,000 and $575,718,000, respectively, were invested in USC share accounts at approximately 3.81% and 3.12% respective yields.

**NOTE 9 - RETAINED EARNINGS**

It is CLF's policy to internally appropriate $600,000 of each year's additions to retained earnings. At September 30, 1994 and 1993, internally appropriated retained earnings totalled $9,606,000 and $9,006,000, respectively.

**NOTE 10 - CONCENTRATION OF CREDIT RISK**

At September 30, 1994, the CLF had a concentration of credit risk for its investments with USC of $653,119,000 (see notes 5 and 8). There is no risk of loss in the event of nonperformance by USC.

**NOTE 11 - SERVICES PROVIDED BY THE NATIONAL CREDIT UNION ADMINISTRATION**

The National Credit Union Administration provides the CLF with miscellaneous services, data processing services, and supplies. In addition, the National Credit Union Administration pays CLF employee salaries as well as CLF's portion of monthly building operating costs. The CLF reimburses the National Credit Union Administration on a monthly basis for these items.

Total reimbursements for the years ended September 30, 1994 and 1993 amounted to approximately $380,000 and $266,000, respectively.

**NOTE 12 - PENSION PLAN**

The employees of the CLF are participants in the Civil Service Retirement and Disability Fund (CSRDF) which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit plans covering all of the employees of CLF. FERS is comprised of a Social Security Benefits Plan, a Basic Plan and a Savings Plan and is mandatory for all employees hired on or after January 1, 1984. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan, employees can also elect additional contributions between one and ten percent of their gross pay and the CLF will match up to five percent of the employee elected contributions. CLF's contributions to the plans for the years ended September 30, 1994 and 1993 were approximately $11,000 and $22,000, respectively.

CLF does not account for the assets of the above plans nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers such as CLF.

**NOTE 13 - LEASE**

During fiscal year 1993, the CLF was released from its office lease and relocated to a building owned by the National Credit Union Administration. The NCUA assesses the CLF a portion of the building operating costs. CLF's rent expense for the year ending September 30, 1994 and 1993 was approximately $46,000 and $39,000, respectively.

**NOTE 14 - CASH FLOW INFORMATION**

The reconciliation of net income to net cash provided by operating activities is as follows (dollars in thousands):

| | **1994** | **1993** |
|---|---|---|
| Net income | $24,033 | $17,703 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Increase in accrued investment income receivable | (2,281) | (1,211) |
| Decrease (increase) in accrued loan interest receivable | 10 | (10) |
| (Decrease) increase in accounts payable and other liabilities | (140) | 45 |
| Interest deposited in member deposits | 220 | 184 |
| **Total adjustments** | **(2,191)** | **(992)** |
| Net cash provided by operating activities | $ 21,842 | $ 16,711 |
| Supplementary disclosures of non-cash transactions are as follows: | | |
| Rollovers: Loans | $ 700 | $ 250 |
| Dividends added to member deposits | 23,392 | 17,185 |

# TEN YEAR SUMMARY
# FEDERAL CREDIT UNION DATA

## FEDERAL CREDIT UNIONS
## DECEMBER 31 (DOLLAR AMOUNTS IN MILLIONS)

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of credit unions | 10,125 | 9,758 | 9,401 | 9,118 | 8,821 | 8,511 | 8,229 | 7,916 | 7,696 | 7,497 |
| Number of members | 29,578,808 | 31,041,142 | 32,066,542 | 34,438,304 | 35,612,317 | 36,241,607 | 37,080,854 | 38,205,128 | 39,755,596 | 40,841,438 |
| Assets | $ 78,188 | $ 95,484 | $ 105,190 | $ 114,565 | $ 120,666 | $ 130,073 | $ 143,940 | $ 162,544 | 172,854 | 182,542 |
| Loans outstanding | 48,241 | 55,305 | 64,104 | 73,766 | 80,272 | 83,029 | 84,150 | 87,633 | 94,640 | 110,094 |
| Shares | 71,616 | 87,954 | 96,346 | 104,431 | 109,653 | 117,892 | 130,164 | 146,078 | 153,506 | 160,237 |
| Reserves[1] | 2,884 | 3,312 | 3,725 | 4,216 | 4,690 | 5,158 | 5,539 | 6,176 | 6,976 | 7,621 |
| Undivided earnings | 2,063 | 2,506 | 3,023 | 3,567 | 4,072 | 4,594 | 5,338 | 6,793 | 8,338 | 9,582 |
| Gross income | 8,526 | 9,416 | 10,158 | 11,173 | 12,420 | 13,233 | 13,559 | 13,301 | 12,946 | 13,489 |
| Operating expenses | 2,674 | 3,115 | 3,585 | 3,931 | 4,364 | 4,730 | 5,068 | 5,329 | 5,578 | 5,961 |
| Dividends | 5,090 | 5,506 | 5,624 | 6,148 | 6,910 | 7,372 | 7,184 | 5,876 | 5,038 | 5,200 |
| Reserve transfers | 282 | 250 | 237 | 232 | 265 | 222 | 170 | 191 | 186 | 246 |
| Net income | 521 | 626 | 688 | 799 | 781 | 841 | 1,087 | 1,897 | 2,096 | 1,908 |

**PERCENT CHANGE**

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total assets | 22.8% | 22.1% | 10.2% | 8.9% | 5.3% | 7.8% | 10.7% | 12.9% | 6.3% | 5.6% |
| Loans outstanding | 14.5 | 14.6 | 15.9 | 15.1 | 8.8 | 3.4 | 1.3 | 4.1 | 8.0 | 16.3 |
| Savings | 23.6 | 22.8 | 9.5 | 8.4 | 5.0 | 7.5 | 10.4 | 12.2 | 5.1 | 4.4 |
| Reserves | 17.7 | 14.8 | 12.5 | 13.2 | 11.2 | 10.0 | 7.4 | 11.5 | 13.0 | 9.2 |
| Undivided earnings | 29.6 | 21.5 | 20.6 | 18.0 | 14.2 | 12.8 | 16.2 | 27.3 | 22.7 | 14.9 |
| Gross income | 14.4 | 10.4 | 7.9 | 10.0 | 11.2 | 6.5 | 2.5 | - 1.9 | -2.7 | 4.2 |
| Operating expenses | 15.6 | 16.5 | 15.1 | 9.7 | 11.0 | 8.4 | 7.1 | 5.1 | 4.7 | 6.9 |
| Dividends | 15.3 | 8.2 | 2.1 | 9.3 | 12.4 | 6.7 | - 2.6 | -18.2 | -14.3 | 3.2 |
| Net reserve transfers | 8.5 | - 11.3 | - 5.2 | - 2.1 | 14.2 | -16.1 | - 23.8 | 12.7 | -2.6 | 32.3 |
| Net income | 10.1 | 20.2 | 9.9 | 16.1 | - 2.3 | 7.6 | 29.3 | 74.5 | 10.5 | -9.0 |

**SIGNIFICANT RATIOS**

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| Reserves to assets | 3.7% | 3.5% | 3.5% | 3.7% | 3.9% | 4.0% | 3.8% | 3.8% | 4.0% | 4.2% |
| Reserves and undivided earnings to assets | 6.3 | 6.1 | 6.4 | 6.8 | 7.3 | 7.5 | 7.6 | 8.0 | 8.9 | 9.4 |
| Reserves to loans | 6.0 | 6.1 | 5.8 | 5.7 | 5.8 | 6.2 | 6.6 | 7.0 | 7.4 | 6.9 |
| Loans to shares | 67.4 | 62.9 | 66.5 | 70.6 | 73.2 | 70.4 | 64.6 | 60.0 | 61.7 | 68.7 |
| Operating expenses to gross income | 31.4 | 33.1 | 35.3 | 35.2 | 35.1 | 35.7 | 37.4 | 40.1 | 43.1 | 44.2 |
| Salaries and benefits to gross income | 13.6 | 14.1 | 14.6 | 14.8 | 14.7 | 15.0 | 15.7 | 17.4 | 19.4 | 20.2 |
| Dividends to gross income | 59.7 | 58.5 | 55.4 | 55.0 | 55.6 | 55.7 | 53.0 | 44.2 | 38.9 | 38.5 |
| Yield on average assets | 12.0 | 10.8 | 10.1 | 10.2 | 10.6 | 10.6 | 9.9 | 8.7 | 7.7 | 7.6 |
| Cost of funds to average assets | 7.2 | 6.4 | 5.6 | 5.7 | 6.0 | 5.9 | 5.3 | 3.9 | 3.1 | 3.0 |
| Gross spread | 4.8 | 4.5 | 4.5 | 4.5 | 4.6 | 4.6 | 4.6 | 4.8 | 4.6 | 4.6 |
| Net income divided by gross income | 6.1 | 6.6 | 6.8 | 7.2 | 6.3 | 6.4 | 8.0 | 14.3 | 16.2 | 14.1 |
| Yield on average loans | 13.5 | 12.7 | 11.6 | 11.3 | 11.5 | 11.4 | 11.2 | 10.4 | 9.4 | 8.7 |
| Yield on average investments | 9.5 | 7.9 | 7.7 | 7.9 | 8.4 | 8.3 | 7.0 | 5.5 | 4.6 | 5.1 |

[1]DOES NOT INCLUDE THE ALLOWANCE FOR LOAN LOSSES

# TEN YEAR SUMMARY
# STATE CREDIT UNION DATA

## FEDERALLY INSURED STATE CREDIT UNIONS
## DECEMBER 31 (DOLLAR AMOUNTS IN MILLIONS)

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of credit unions | 4,920 | 4,935 | 4,934 | 4,760 | 4,552 | 4,349 | 4,731 | 4,737 | 4,621 | 4,494 |
| Number of members | 15,689,048 | 17,362,780 | 17,998,921 | 18,518,969 | 18,939,127 | 19,453,940 | 21,619,223 | 23,859,447 | 23,996,751 | 24,292,589 |
| Assets | $41,525 | $52,244 | $56,972 | $60,740 | $63,175 | $68,133 | $83,133 | $98,767 | 104,316 | 106,928 |
| Loans outstanding | 26,168 | 30,834 | 35,436 | 39,977 | 42,373 | 44,102 | 49,268 | 53,727 | 57,695 | 65,763 |
| Shares | 37,917 | 48,097 | 52,083 | 55,217 | 57,658 | 62,082 | 75,626 | 89,648 | 93,482 | 94,792 |
| Reserves[1] | 1,781 | 2,147 | 2,423 | 2,612 | 2,872 | 3,047 | 3,620 | 4,238 | 4,754 | 4,905 |
| Undivided earnings | 1,065 | 1,253 | 1,458 | 1,651 | 1,945 | 2,241 | 2,952 | 3,910 | 4,862 | 5,569 |
| Gross income | 4,508 | 5,117 | 5,483 | 5,973 | 6,529 | 6,967 | 7,878 | 8,182 | 7,878 | 7,954 |
| Operating expenses | 1,364 | 1,655 | 1,884 | 2,078 | 2,216 | 2,412 | 2,860 | 3,203 | 3,302 | 3,473 |
| Dividends | 2,684 | 3,004 | 3,049 | 3,290 | 2,930 | 3,908 | 4,203 | 3,664 | 3,109 | 3,145 |
| Reserve transfers | 227 | 201 | 184 | 158 | 150 | 118 | 98 | 121 | 114 | 143 |
| Net income | 256 | 288 | 355 | 470 | 457 | 509 | 711 | 1,207 | 1,347 | 1,146 |

### PERCENT CHANGE

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total assets | 42.3% | 25.8% | 9.0% | 6.6% | 4.0% | 7.8% | 22.0% | 18.8 | 5.6 | 2.5 |
| Loans outstanding | 31.2 | 17.8 | 14.9 | 12.8 | 6.0 | 4.1 | 11.7 | 9.1 | 7.4 | 14.0 |
| Savings | 44.0 | 26.8 | 8.3 | 6.0 | 4.4 | 7.7 | 21.8 | 18.5 | 4.3 | 1.4 |
| Reserves | 26.4 | 20.6 | 12.9 | 7.8 | 10.0 | 6.1 | 18.8 | 17.1 | 12.2 | 3.2 |
| Undivided earnings | 46.3 | 17.7 | 16.4 | 13.2 | 17.8 | 15.2 | 31.7 | 32.5 | 24.3 | 14.5 |
| Gross income | 31.5 | 13.5 | 7.2 | 8.9 | 9.3 | 6.7 | 13.1 | 3.9 | -3.7 | 1.0 |
| Operating expenses | 28.7 | 21.3 | 13.8 | 10.3 | 6.6 | 8.8 | 18.6 | 12.0 | 3.1 | 5.2 |
| Dividends | 35.9 | 11.9 | 1.5 | 7.9 | -10.9 | 33.4 | 7.5 | -12.8 | -15.1 | 1.2 |
| Net reserve transfers | 26.8 | -11.5 | -8.5 | -14.1 | -5.1 | -21.3 | -16.9 | 23.5 | -5.8 | 25.4 |
| Net income | 16.9 | 12.5 | 23.3 | 32.4 | -2.8 | 11.4 | 39.7 | 69.8 | 11.6 | -14.9 |

### SIGNIFICANT RATIOS

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| Reserves to assets | 4.3% | 4.1% | 4.3% | 4.3% | 4.5% | 4.5% | 4.4% | 4.3% | 4.6% | 4.6% |
| Reserves and undivided earnings to assets | 6.9 | 6.5 | 6.8 | 7.0 | 7.6 | 7.8 | 7.9 | 8.2 | 9.2 | 9.8 |
| Reserves to loans | 6.8 | 7.0 | 6.8 | 6.5 | 6.8 | 6.9 | 7.3 | 7.9 | 8.2 | 7.5 |
| Loans to shares | 69.0 | 64.1 | 68.0 | 72.4 | 73.5 | 71.0 | 65.1 | 59.9 | 61.7 | 69.4 |
| Operating expenses to gross income | 30.3 | 32.3 | 34.4 | 34.8 | 33.9 | 34.6 | 36.3 | 39.1 | 41.9 | 43.7 |
| Salaries and benefits to gross income | 13.4 | 13.9 | 14.5 | 14.5 | 14.4 | 14.7 | 15.4 | 16.9 | 19.0 | 20.0 |
| Dividends to gross income | 59.5 | 58.7 | 55.6 | 55.1 | 44.9 | 56.1 | 53.4 | 44.8 | 39.5 | 39.5 |
| Yield on average assets | 12.7 | 11.2 | 10.4 | 10.1 | 10.5 | 10.6 | 10.4 | 9.0 | 7.8 | 7.5 |
| Cost of funds to average assets | 7.6 | 6.4 | 5.5 | 5.5 | 5.9 | 6.0 | 5.6 | 4.1 | 3.1 | 3.0 |
| Gross spread | 5.1 | 4.5 | 4.3 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.7 | 4.5 |
| Net income divided by gross income | 5.7 | 5.6 | 6.5 | 7.9 | 7.0 | 7.3 | 9.0 | 14.8 | 17.1 | 14.4 |
| Yield on average loans | 14.3 | 12.7 | 11.1 | 11.2 | 11.4 | 11.4 | 11.8 | 10.8 | 9.5 | 8.6 |
| Yield on average investments | 10.0 | 8.0 | 7.5 | 7.9 | 8.4 | 8.5 | 7.4 | 5.7 | 4.7 | 4.9 |

[1]DOES NOT INCLUDE THE ALLOWANCE FOR LOAN LOSSES

# HISTORICAL DATA, FEDERAL CREDIT UNIONS

**HISTORICAL DATA FOR FEDERAL CREDIT UNIONS**
**DECEMBER 31, 1935 TO 1969**

| | | | | | | | | (AMOUNTS IN THOUSANDS OF DOLLARS) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| YEAR | CHARTERS ISSUED | CHARTERS CANCELED | NET CHANGE | TOTAL OUTSTANDING | INACTIVE CREDIT UNIONS | ACTIVE CREDIT UNIONS | MEMBERS | ASSETS | SHARES | LOANS OUTSTANDING |
| 1935 | 828 | | 828 | 906 | 134 | 772 | 119,420 | $ 2,372 | $ 2,228 | $ 1,834 |
| 1936 | 956 | 4 | 952 | 1,858 | 107 | 1,751 | 309,700 | 9,158 | 8,511 | 7,344 |
| 1937 | 638 | 69 | 569 | 2,427 | 114 | 22,313 | 483,920 | 19,265 | 17,650 | 15,695 |
| 1938 | 515 | 83 | 432 | 2,859 | 99 | 2,760 | 632,050 | 29,629 | 26,876 | 23,830 |
| 1939 | 529 | 93 | 436 | 3,295 | 113 | 3,182 | 850,770 | 47,811 | 43,327 | 37,673 |
| 1940 | 666 | 76 | 590 | 3,855 | 129 | 3,756 | 1,127,940 | 72,530 | 65,806 | 55,818 |
| 1941 | 583 | 89 | 494 | 4,379 | 151 | 4,228 | 1,408,880 | 106,052 | 97,209 | 69,485 |
| 1942 | 187 | 89 | 98 | 4,477 | 332 | 4,145 | 1,356,940 | 119,591 | 109,822 | 43,053 |
| 1943 | 108 | 321 | - 213 | 4,264 | 326 | 3,938 | 1,311,620 | 127,329 | 117,339 | 35,376 |
| 1944 | 69 | 285 | - 216 | 4,048 | 233 | 3,815 | 1,306,000 | 144,365 | 133,677 | 34,438 |
| 1945 | 96 | 185 | - 89 | 3,959 | 202 | 3,757 | 1,216,625 | 153,103 | 140,614 | 35,155 |
| 1946 | 157 | 151 | 6 | 3,965 | 204 | 3,761 | 1,302,132 | 173,166 | 159,718 | 56,801 |
| 1947 | 207 | 159 | 48 | 4,013 | 168 | 3,845 | 1,445,915 | 210,376 | 192,410 | 91,372 |
| 1948 | 341 | 130 | 211 | 4,224 | 166 | 4,058 | 1,628,339 | 258,412 | 235,008 | 137,642 |
| 1949 | 523 | 101 | 422 | 4,646 | 151 | 4,495 | 1,819,606 | 316,363 | 285,001 | 186,218 |
| 1950 | 565 | 83 | 482 | 5,128 | 144 | 4,984 | 2,126,823 | 405,835 | 361,925 | 263,736 |
| 1951 | 533 | 75 | 458 | 5,586 | 188 | 5,398 | 2,463,898 | 504,715 | 457,402 | 299,756 |
| 1952 | 692 | 115 | 577 | 6,163 | 238 | 5,925 | 2,853,241 | 662,409 | 597,374 | 415,062 |
| 1953 | 825 | 132 | 693 | 6,856 | 278 | 6,578 | 3,255,422 | 854,232 | 767,571 | 573,974 |
| 1954 | 852 | 122 | 730 | 7,586 | 359 | 7,227 | 3,598,790 | 1,033,179 | 931,407 | 681,970 |
| 1955 | 777 | 188 | 589 | 8,175 | 369 | 7,806 | 4,032,220 | 1,267,427 | 1,135,165 | 863,042 |
| 1956 | 741 | 182 | 559 | 8,734 | 384 | 8,350 | 4,502,210 | 1,529,202 | 1,366,258 | 1,049,189 |
| 1957 | 662 | 194 | 468 | 9,202 | 467 | 8,735 | 4,897,689 | 1,788,768 | 1,589,191 | 1,257,319 |
| 1958 | 586 | 255 | 331 | 9,533 | 503 | 9,030 | 5,209,912 | 2,034,866 | 1,812,017 | 1,379,724 |
| 1959 | 700 | 270 | 430 | 9,963 | 516 | 9,447 | 5,643,248 | 2,352,813 | 2,075,055 | 1,666,526 |
| 1960 | 685 | 274 | 411 | 10,374 | 469 | 9,905 | 6,087,378 | 2,669,734 | 2,344,337 | 2,021,463 |
| 1961 | 671 | 265 | 406 | 10,780 | 509 | 10,271 | 6,542,603 | 3,028,294 | 2,673,488 | 2,245,223 |
| 1962 | 601 | 284 | 317 | 11,097 | 465 | 10,632 | 7,007,630 | 3,429,805 | 3,020,274 | 2,560,722 |
| 1963 | 622 | 312 | 310 | 11,407 | 452 | 10,955 | 7,499,747 | 3,916,541 | 3,452,615 | 2,911,159 |
| 1964 | 580 | 323 | 257 | 11,664 | 386 | 11,278 | 8,092,030 | 4,559,438 | 4,017,393 | 3,349,068 |
| 1965 | 584 | 270 | 324 | 11,978 | 435 | 11,543 | 8,640,560 | 5,165,807 | 4,538,461 | 3,864,809 |
| 1966 | 701 | 318 | 383 | 12,361 | 420 | 11,941 | 9,271,967 | 5,668,941 | 4,944,033 | 4,323,943 |
| 1967 | 636 | 292 | 344 | 12,705 | 495 | 12,210 | 9,873,777 | 6,208,158 | 5,420,633 | 4,677,480 |
| 1968 | 662 | 345 | 317 | 13,022 | 438 | 12,584 | 10,508,504 | 6,902,175 | 5,986,181 | 5,398,052 |
| 1969 | 705 | 323 | 382 | 13,404 | 483 | 12,921 | 11,301,805 | 7,793,573 | 6,713,385 | 6,328,720 |

1)DATA FOR 1935-44 ARE PARTLY ESTIMATED

# HISTORICAL DATA, FEDERAL CREDIT UNIONS

**HISTORICAL DATA FOR FEDERAL CREDIT UNIONS**
**DECEMBER 31, 1935 TO 1969**

| | | | | | | | | (AMOUNTS IN THOUSANDS OF DOLLARS) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| YEAR | CHARTERS ISSUED | CHARTERS CANCELED | NET CHANGE | TOTAL OUTSTANDING | INACTIVE CREDIT UNIONS | ACTIVE CREDIT UNIONS | MEMBERS | ASSETS | SHARES | LOANS OUTSTANDING |
| 1970 | 563 | 412 | 151 | 13,555 | 578 | 12,977 | 11,966,181 | $ 8,860,612 | $ 7,628,805 | $ 6,969,006 |
| 1971 | 400 | 461 | -61 | 13,494 | 777 | 12,717 | 12,702,135 | 10,533,740 | 9,191,182 | 8,071,201 |
| 1972 | 311 | 672 | -361 | 13,133 | 425 | 12,708 | 13,572,312 | 12,513,621 | 10,956,007 | 9,424,180 |
| 1973 | 364 | 523 | -159 | 12,974 | 286 | 12,688 | 14,665,890 | 14,568,736 | 12,597,607 | 11,109,015 |
| 1974 | 367 | 369 | -2 | 12,972 | 224 | 12,748 | 15,870,434 | 16,714,673 | 14,370,744 | 12,729,653 |
| 1975 | 373 | 334 | 39 | 13,011 | 274 | 12,737 | 17,066,428 | 20,208,536 | 17,529,823 | 14,868,840 |
| 1976 | 354 | 387 | -33 | 12,978 | 221 | 12,757 | 18,623,862 | 24,395,896 | 21,130,293 | 18,311,204 |
| 1977 | 337 | 315 | 22 | 13,000 | 250 | 12,750 | 20,426,661 | 29,563,681 | 25,576,017 | 22,633,860 |
| 1978 | 348 | 298 | 50 | 13,050 | 291 | 12,759 | 23,259,284 | 34,760,098 | 29,802,504 | 27,686,584 |
| 1979 | 286 | 336 | -50 | 13,000 | 262 | 12,738 | 24,789,647 | 36,467,850 | 31,831,400 | 28,547,097 |
| 1980 | 170 | 368 | -198 | 12,802 | 362 | 12,440 | 24,519,087 | 40,091,855 | 36,263,343 | 26,350,277 |
| 1981 | 119 | 554 | -435 | 12,367 | 398 | 11,969 | 25,459,059 | 41,905,413 | 37,788,699 | 27,203,672 |
| 1982 | 114 | 556 | -442 | 11,925 | 294 | 11,631 | 26,114,649 | 45,482,943 | 41,340,911 | 28,184,280 |
| 1983 | 107 | 736 | -629 | 11,296 | 320 | 10,976 | 26,798,799 | 54,481,827 | 49,889,313 | 33,200,715 |
| 1984 | 135 | 664 | -529 | 10,767 | 219 | 10,548 | 28,191,922 | 63,656,321 | 57,929,124 | 42,133,018 |
| 1985 | 55 | 575 | -520 | 10,247 | 122 | 10,125 | 29,578,808 | 78,187,651 | 71,616,202 | 48,240,770 |
| 1986 | 59 | 441 | -382 | 9,865 | 107 | 9,758 | 31,041,142 | 95,483,828 | 87,953,642 | 55,304,682 |
| 1987 | 41 | 460 | -419 | 9,446 | 45 | 9,401 | 32,066,542 | 105,189,725 | 96,346,488 | 64,104,411 |
| 1988 | 45 | 201 | -156 | 9,290 | 172 | 9,118 | 34,438,304 | 114,564,579 | 104,431,487 | 73,766,200 |
| 1989 | 23 | 307 | -284 | 9,006 | 185 | 8,821 | 35,612,317 | 120,666,414 | 109,652,600 | 80,272,306 |
| 1990 | 33 | 410 | -377 | 8,629 | 118 | 8,511 | 36,241,607 | 130,072,955 | 117,891,940 | 83,029,348 |
| 1991 | 14 | 291 | -277 | 8,352 | 123 | 8,229 | 37,080,854 | 143,939,504 | 130,163,749 | 84,150,334 |
| 1992 | 33 | 341 | -308 | 8,044 | 128 | 7,916 | 38,205,128 | 162,543,659 | 146,078,403 | 87,632,808 |
| 1993 | 42 | 258 | -216 | 7,828 | 132 | 7,696 | 39,755,596 | 172,854,187 | 153,505,799 | 94,640,348 |
| 1994 | 39 | 224 | -185 | 7,643 | 146 | 7,497 | 40,841,438 | 182,541,535 | 160,236,822 | 110,093,504 |

# NCUA OFFICERS

**Norman E. D'Amours** was nominated by President Bill Clinton in 1993 to serve as Chairman of the NCUA Board. An attorney, Chairman D'Amours was a member of the U.S. House of Representatives from New Hampshire from 1975 to 1985 and served on the House Banking Committee. A Democrat, his term expires in 1999.

**Shirlee Pearson Bowne'**, a real estate broker in Tallahassee, Fla., was nominated to the Board by President George Bush in 1991 and serves as Vice Chairperson. She had also served as a member of Florida Housing Finance Agency. A Republican, her term expires in 1997.

**Robert H. Swan**, former president of Tooele Utah Federal Credit Union, was nominated to serve on the Board in 1990 by President George Bush. He had previously served as Utah's state deputy director of finance. A Democrat, his term expires in 1995.

(back row, left to right) Inspector General H. Frank Thomas, Technology and Information Services Director Doug Verner, Director of Training and Development Robert A. Pompa, (second row from back) Director of Administration James L. Baylen, Secretary to the Board Becky Baker, (third row from back) Corporate Credit Union Director H. Allen Carver, Public and Congressional Affairs Director Robert E. Loftus, Controller Jane A. Walters, General Counsel Robert M. Fenner, (seated) Community Development Credit Unions Deputy Director Joyce Jackson, Executive Director Karl T. Hoyle, Examination and Insurance Director David M. Marquis. Unavailable for the group photo, Office of Human Resources Director Dorothy W. Foster and Equal Opportunity Programs Director Lamont Gibson are pictured below.

# REGIONAL OFFICES

Layne L. Bumgardner,
Director

**Region I**
9 Washington Square
Albany, NY 12205
518-464-4180
Fax 518-464-4195

Connecticut, Maine, Massachusetts, New Hempshire, New York, Rhode Island, Vermont

Robert F. Schafer,
Acting Director

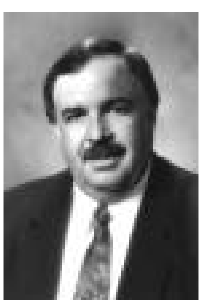
**Region II**
1775 Duke Street, #4206
Alexandria, VA 22314-3437
703-838-0401
Fax 703-838-0571

Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia

H. Allen Carver,
Director

**Region III**
7000 Central Parkway, #1600
Atlanta, GA 30328
404-396-4042
Fax 404-698-8211

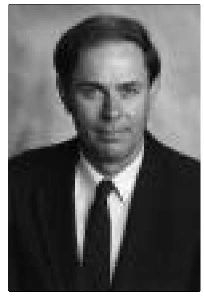
Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, Virgin Islands



Nicholas Veghts,
Director

**Region IV**
4225 Naperville Road, #125
Lisle, IL 60532
708-245-1000
Fax 708-245-1015

Illinois, Indiana, Michigan, Missouri, Ohio, Wisconsin



John S. Ruffin,
Director

**Region V**
4807 Spicewood Springs Road, #5200
Austin, TX 78759-8490
512-482-4500
Fax 512-482-4511

Arizona, Colorado, Iowa, Kansas, Minnesota, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wyoming

Daniel L. Murphy,
Director

**Region VI**
2300 Clayton Road, #1350
Concord, CA 94520
510-825-6125
Fax 510-486-3729

Alaska, American Samoa, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Washington

Leonard Skiles,
President

**Asset Liquidation Management Center**
4807 Spicewood Springs Road, #5100
Austin, TX 78759-8490
512-795-0999
FAX 512-795-8113

**INFORMATION:**

| | |
|---|---|
| General information | 703-518-6330 |
| Office of the Board | 703-518-6300 |
| Fax number | 703-518-6429 |
| News about NCUA | 800-755-1030 |
| | 703-518-6339 |
| Electronic Bulletin Board | 703-518-6480 |
| | 800-876-1684 |
| Credit union data | 703-518-6540 |
| Credit union investments | 800-755-5999 |
| | 703-518-6370 |
| To report improper or illegal | 800-827-9650 |
| activity at a credit union | 703-518-6550 |
| Member complaints | All regional offices |