

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA

DATE: December 2000

LETTER NO.: 00-CU-12

TO: Federally Insured Credit Unions

SUBJ: Revised Call Report; NCUA Form 5300

The purpose of this letter is to call attention to upcoming Call Report changes. The December 2000 Call Report contains significant modifications resulting from the implementation of *NCUA Rules & Regulations Part 702 Prompt Corrective Action (PCA)*. In addition, the Call Report also contains new data inquiries in the area of *Information Systems and Technology*.

Customarily, Call Report changes are effective the first reporting cycle of the calendar year. However, to avoid consecutive reporting periods of substantive change, NCUA consolidated all PCA-related changes, combined them with other planned modifications and advanced the release date. In addition, credit unions will now be able to review a sample PCA Risk Based Net Worth (RBNW) Calculation before the initial required measurement dates of March 31, 2001, for quarterly filers and June 30, 2001, for semi-annual filers.

You will receive the December 2000 Call Report along with your other reporting materials in the mail shortly. You can also access the Call Report from the Internet on NCUA's Website at www.ncua.gov/data/5300/5300.html.

The following is a list of changes. NCUA:

1. Expanded the *Assets Schedule* to two pages (pages 1 and 2).
2. Replaced the *Cash and Cash Equivalents Account* with the following new cash accounts (page 1, lines 1, 2, and 3):
 - *Cash on Hand (account 730A)*
 - *Cash on Deposit (account 730B)*
 - *Cash Equivalents (account 730C)*
3. Modified the content of *Other Reserves (account 658)*. This account will now only include amounts that originated from undivided earnings (Appropriations of Undivided Earnings) (page 3, line 11).

4. Added the following three new equity accounts (page 3, lines 12, 14, and 15):
 - *Miscellaneous Equity (account 996)*: This line item will capture equity that did not originate from net income and was not closed into undivided earnings.
 - *Accumulated Unrealized Net Gains (Losses) on Cash Flow Hedges (account 945A)*
 - *Other Comprehensive Income (account 945B)*
5. Added a new page: Information Systems & Technology (page 6). This page introduces several new accounts. It also includes related line items previously collected on the *Miscellaneous Information Page (Page 7)*.
6. Transferred several previously collected technology related items from *Miscellaneous Information (page 7)* to *Information Systems & Technology (page 6)*.
7. Modified the account name and content for line item 11, page 8, of *Schedule A – Real Estate Loans/Lines of Credit*. The account name is now *Amount of Real Estate Loans Outstanding that will contractually refinance, reprice or mature within the next 5 years and that are not Member Business Loans (account 712)*. Previously, the interval was 3 years and the amount reported included member business loans.
8. Renamed *Schedule C – Investments* to *Schedule C – Investments, Cash on Deposit and Cash Equivalents (page 10)*. For data collection purposes, *Cash on Deposit (account 730B)* and *Cash Equivalents (account 730C)* are included on Schedule C and data inputs automatically flow into *Investments Not Subject to SFAS 115 < 1 Year. (account 745A) (page 10, line 8)*.

For PCA Risk Based Net Worth (RBNW) Calculation purposes, the Membership Capital (account 769A) and Paid-In Capital (account 769B) at corporate credit unions (page 1, lines 8 and 9) automatically flow into Investments Not Subject to SFAS 115 1 - 3 Years. (account 745B), where they should remain.

9. Expanded Instructions for *Schedule C – Investments, Cash on Deposit and Cash Equivalents* to 2 pages. Credit unions are to report all investments in the appropriate maturity range according to *Weighted-average life for the PCA Risk Based Net Worth Calculation* as detailed in the instructions.

Under this method most categories of investments will remain in the same maturity range as the credit union reported during previous Call Report cycles. However, please note some of the following investment types may potentially change maturity ranges from previous reporting periods:

- Mutual Funds (Registered investment companies) and Common Trust Investments (Collective investment funds). Use maximum weighted average life as disclosed in a prospectus or trust instrument, but if not disclosed, report in the 3-10 year range. (Previously, these investments were all reported in the Less than one (1) year range.)

The following three are also exceptions to weighted-average life:

- Capital in mixed-ownership Government corporations and corporate credit unions. (Report as greater than one (1) year, but less than or equal to three (3) years.)
- Investments in CUSOs. (Report as greater than one (1) year, but less than or equal to three (3) years.)
- Other equity securities. (Report as Greater than ten (10) years.)

10. Added a new account for *Other Unused Member Business Loan Commitments* (account 814A) (page 14, line 1B).

11. Added a new page: *PCA Net Worth Calculation Worksheet* (page 15). This page automatically provides a computation of the credit union's net worth ratio and requires no input.

12. Added a new page: *Standard Components of Risk Based Net Worth (RBNW) Requirement* (page 16). This page automatically provides a computation of the credit union's RBNW and requires no input. **(The RBNW Requirement Calculation is a sample only and is not applicable for December 2000. Do not complete or send with the Call Report.)**

As these modifications are significant please be sure to carefully read the instructions prior to completing the Call Report.

Sincerely,

_____/s/_____
Norman E. D'Amours
Chairman
National Credit Union Administration Board