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# Board Action Bulletin

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*Prepared by the Office of Public & Congressional Affairs*

## **NCUA BOARD MEETING RESULTS FOR JULY 29, 2010**

### **NCUA budget reduction will cut FCU operating fees by \$2 million**

At midsession, NCUA's 2010 budget has been reduced by \$2 million, which is also projected to reduce cash needs by \$2 million for 2011 federal credit union operating fees.

Total NCUA operating costs for the 12-month period ending December 31, 2010, are reduced by \$2 million to a total annual budget of \$198,923,512. Staffing vacancies will provide the bulk of unused 2010 funding.

The budget reductions more than offset \$3 million worth of new initiatives, which are slated to support and expand core programs and agency goals.

The Office of Public and Congressional Affairs gained the most significant reprogramming increase: \$1.7 million to implement a major consumer education campaign featuring a nationally recognized financial expert. The initiative will emphasize the benefits of credit unions' federal deposit insurance protection. NCUA will initiate a public service campaign through TV, radio, print and companion ads designed to enhance and strengthen consumer confidence in the nation's federally insured credit union system.

With a plan to feature CNBC's personal finance expert Suze Orman as spokesperson, the campaign will reassure consumers their money is safe in federally insured credit unions. NCUA plans to film both a 30-second and 60-second TV ad to remind consumers of that important message. The \$1.7 million budget will cover production and placement of the ads. The campaign will raise the visibility of all federally insured credit unions, and reinforce the safety of the National Credit Union Share Insurance Fund to consumers across America.

Access Chairman Debbie Matz statement concerning the midsession budget and consumer information online at <http://www.ncua.gov/GenInfo/Members/Matz/speeches/10-0729MatzBdMtgStatement2010Mid-SessionBudget.pdf>. Details of each central and regional office budget are available online at <http://www.ncua.gov/GenInfo/BoardandAction/DraftBoardActions/index.aspx>.

### **Interim Truth in Savings Rule Issued**

The NCUA Board approved an interim final rule that clarifies provisions within Part 707 that address electronic disclosures of overdraft fees, overdraft fee disclosure terminology, and retail sweep accounts. The Truth in Savings Act requires NCUA to promulgate regulations

substantially similar to those promulgated by the Federal Reserve Board within 90 days of the Federal Reserve Board's rule. This interim final rule is substantively identical to the Federal Reserve Board's June 2010 final rule, but contains changes in nomenclature and minor editorial and reference changes.

While this is an interim final rule, a 60 day comment period welcomes stakeholder input. The rule becomes effective 30 days after publication in the *Federal Register*, but compliance with the changes to §707.11(a)(1)(i) will not be mandatory until October 1, 2010.

### **Proposal would curtail golden parachutes and indemnification payments**

The NCUA Board issued a proposal to rule Part 750 to prohibit, with some exceptions, a federally insured credit union (FICU) from making unwarranted golden parachute and indemnification payments to an institution-affiliated party (IAP). The proposal is intended to help safeguard the National Credit Union Share Insurance Fund (NCUSIF) by preventing disposition of FICU assets and lucrative rewards to IAPs who may have contributed to an FICU's troubled condition.

Applicable to all FICUs, the proposal was issued with a 30-day comment period.

### **Interim final rule clarifies low-income member definition**

The NCUA Board approved interim final rule §701.34, amending the definition of "low-income members" to clarify that when comparing credit union data on member income with Census Bureau data to determine if a credit union qualifies as low-income, the comparison must be between like data categories. The amendment clarifies regulatory text so it is consistent with the geo-coding software NCUA uses in making its determination.

The interim final rule will be effective on publication in the Federal Register but will have a 60-day comment period; NCUA will consider any public comments it receives before issuing a final rule, which is likely later this year.

### **National Credit Union Share Insurance Fund Report**

NCUA's Chief Financial Officer reported a National Credit Union Share Insurance Fund reserve balance of \$1,084.4 billion at June 30, 2010, with \$16.6 million charged to insurance loss expense in June, and \$326.1 million charged to total insurance loss expense through 2010.

NCUSIF equity was reported at 1.21 percent for June 2010, when including the 1 percent capitalization deposit adjustment associated with the June 30, 2010, increase in reported insured shares.

Eighteen (18) federally insured credit unions have failed thus far in 2010 at a cost to the Fund of \$16.4 million. Ten credit unions liquidated through June, resulting in five purchase and assumptions, and eight assisted mergers occurred.

There were 366 CAMEL code 4&5 credit unions at June 30, representing 5.69 percent of mid-year 2010 total insured shares. There are 15 more CAMEL code 4&5 credit unions than were reported last month.

The current distribution of federally insured credit union assets by CAMEL code follows:

- 78.4 percent of assets are held in CAMEL code 1&2 credit unions;
- 16.3 percent of assets are in CAMEL code 3 credit unions; and
- 5.3 percent of assets are held in CAMEL code 4&5 credit unions.

Through June, NCUSIF's annual revenue and expenses included income of \$134.3 million. With insurance loss expense of \$326.1 million, year-to-date expenses totaled \$405.6 million resulting in negative NCUSIF net income of \$271.3 million.

Temporary Corporate Credit Union Stabilization Fund (TCCUSF) total revenue is \$128,000, total costs are \$2.4 million, resulting in net cost of \$2.3 million through June 30, 2010. TCCUSF has assets of \$870.6 million, liabilities of \$7.9 billion and a total net position of negative \$6.99 billion.

***Board votes are unanimous unless otherwise indicated. NCUA rule changes are posted online at [www.ncua.gov](http://www.ncua.gov) under Resources/Regulations, Legal Opinions and Laws.***