



NCUA Media Advisory

NCUA Approves Plan to Spread Replenishment

Proposal Requires Congressional Action

March 26, 2009, Alexandria, Va. – The National Credit Union Administration (NCUA) Board today approved a proposal that would enable credit unions to spread the cost of the National Credit Union Share Insurance Fund (NCUSIF) replenishment over as much as a 7-year period.

The proposed legislation would create a mechanism, the Corporate Credit Union Stabilization Fund, to absorb losses associated with the corporate credit union stabilization actions and assess federally insured credit unions for associated costs over as much as a 7-year period. If enacted into law, the proposal:

- Should allow insured credit unions to expense these assessments over time;
- Is consistent with generally accepted accounting principles (GAAP); and
- Is limited in use to only pay for losses incurred by corporate credit unions.

Recently, the House of Representatives approved legislation, H.R. 1106, that would provide NCUA with the flexibility to return the premium portion of NCUSIF equity ratio to the statutory minimum of 1.20% over a 5-year period, and increase the authority of NCUSIF to borrow from the U.S. Treasury to \$6 billion. While these NCUA-supported provisions are beneficial, GAAP requires credit unions to recognize the impairment of the NCUSIF deposit in the accounting period in which it occurred through the income statement as an expense.

Though the 5-year restoration provision is highly beneficial in that it would allow NCUA to assess premiums to rebuild the fund's retained earnings over time (and allow credit unions to expense this when billed) it will not enable credit unions to spread out the expense for the deposit impairment. Today's NCUA proposal would allow for spreading the entire replenishment over as much as a 7-year period, as established by the NCUA Board.

Unprecedented liquidity and capital strains on the corporate credit union system have compelled NCUA to take a series of actions in recent months to stabilize the corporate credit union network and shield natural person credit unions from greater losses.

“The credit union system and the share insurance fund remain strong overall in the face of unprecedented economic stress. Nonetheless, while the credit union system on the whole has the net worth to absorb these costs and remain well capitalized, the combination of these expenses taken all at once would undoubtedly result in a contraction of lending and other member services,” commented NCUA Chairman Michael E. Fryzel. “I encourage credit unions to do whatever they can to assist NCUA in securing passage of this plan into law, as soon as possible.”

The proposed Corporate Credit Union Stabilization Fund legislation is available online at <http://www.ncua.gov/CorporateStabilizationProgram.html>.

The National Credit Union Administration is the independent federal agency that regulates, charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, also operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of nearly 89 million account holders in all federal credit unions and the majority of state-chartered credit unions.

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