



June 25, 2020

The Northwest Credit Union Association's Regulatory Affairs team monitors all National Credit Union Administration Board of Directors' meetings. Today's meeting brought a big headline.

### **\$171 Million in Capital Returns for SW Corporate Members**

Many Northwest credit unions will be receiving a significant check next month thanks to an early distribution of \$171 million in capital being returned to members of Southwest Corporate Credit Union. Many Northwest credit unions were members of Southwest Corporate Credit Union because of the merger of Northwest Corporate Credit Union with Southwest Corporate Credit Union.

We anticipate that this will be the first of three annual distributions to Southwest Corporate member capital account shareholders. Late next year we would expect a second distribution of approximately \$232.5 million. Finally, we would expect a liquidating dividend to be paid in 2022. This would represent recoveries in excess of all other claims against the estate.

The Southwest Corporate asset management estate has 1,120 member capital account holders, including 1,092 credit unions, with a total claim of \$403.5 million. After accounting for mergers, purchases and acquisitions, and liquidations, almost 900 active credit unions will receive a distribution.

The NCUA plans to send letters to distribution recipients notifying them of their amount and other payment details. The distribution will be made to credit unions generally through an electronic funds transfer. The payout is planned for July. The NCUA will work with each non-credit union recipient to ensure timely receipt of the payout.

Additional information on the distribution is available on the [NCUA's website](#).

For historical perspective, the assets and liabilities of the five failed corporates are owned individually by the estates of those corporates, and their assets have been managed by NCUA's Asset Management Assistance Center (AMAC) for the past ten years. The balance sheet of Constitution has shown only modest recovery while WesCorp's assets have never come close to erasing its significant liabilities. For historical perspective you can read the NCUA's Inspector General's investigation into the failure of WesCorp [here](#).

The remaining corporates have shown significant recoveries and are expected to return capital to members, beginning next year.

NCUA Chair Rodney Hood called news of the early distribution a "shared victory" culminating from the efforts of credit union leadership following the corporate failures, and NCUA efforts. Board Member Mark McWatters noted in his remarks that at the time of the financial crisis the NCUA predicted that any capital recoveries to corporate members "was highly unlikely." He praised NCUA staff for their stewardship in managing the assets of the failed corporates and for the efforts to obtain legal judgments against those who sold toxic assets to the corporates, that make these distributions possible.

### **NCUA's Efforts to Preserve and Support Minority Credit Unions**

The NCUA Board members also discussed ways to strengthen the NCUA's Minority Depository Institution (MDI) program with Chairman Hood calling for additional focus on chartering DeNovo Minority Depository Institutions. Board Member Harper indicated a need to strengthen the program by increasing the

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incentives and agency support for MDIs through targeted grants that could be funded with additional appropriations for the CDRLF which he has previously advocated.

### **Feedback Ask Regarding Modernization of Examination Program**

The NCUA also issued a Request for Information on Strategies for Future Examination and Supervision Utilizing Digital Technology. This demonstrates the agency's long-term commitment to an offsite examination program.

Comments on the request for [feedback](#) will be due within 60 days of its publication in the *Federal Register*.

### **Other Headlines**

The Board also finalized a technical amendments rule that primarily fixed typos and outdated language contained in existing rules.

The Chairman did pull a proposed rule related to Risk-Based Capital from the published agenda. While no explanation was given, the move indicated there was not yet consensus on the proposal by the other board members.

The Board concluded its meeting by recognizing outgoing Executive Director, Mark Treichel. He is retiring next week after more than 33 years with the agency. Treichel is the longest-serving Executive Director in NCUA history. He is being succeeded by Larry Fazio who most recently was Director of the Office of Examinations and Insurance.

As always, reach out to me directly to share your concerns, so that we may continue to advocate for policies that help credit unions do what they do best – serve their members.

Warm regards-

### **John Trull**

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