

The NCUA met on Thursday, September 21, 2023. Two priorities on the agenda included a Share Insurance Fund (SIF) update and a final rule on loan participation which continues the move from prescriptive limits to a principles-based approach. As always, the GoWest Credit Union Association regulatory affairs team is pleased to provide a same-day analysis.

Link to video of the [September 2023 Board Meeting](#)

### **President Nominates Tanya Otsuka to the NCUA Board**

President Biden nominated Tanya Otsuka to replace Director Rodney Hood on the Board. Hood continues to serve although his term has expired. She is currently the Senior Counsel for the majority staff of the U.S. Senate Banking, Housing, and Urban Affairs Committee under Senator Sherrod Brown (D-OH).

The Association will keep you posted on developments with the confirmation process.

Link to: [White House announcement](#).

### **Corporate Distribution Announced**

One highlight from the September meeting was the announcement that there would be another \$76 million in corporate distribution of paid-in capital to the former US Central corporate credit unions.

### **Share Insurance Fund Update**

Eugene Schied, the NCUA's CFO, provided the NCUA Board with an update on the Share Insurance Fund. Schied indicated that the SIF Equity Ratio was at 1.27% at the end of June, two basis points higher than anticipated. Schied projects the Equity Ratio at the end of December will remain at 1.27%. Our calculation differs from the NCUA, and we continue to project that the equity ratio will be at 1.32 % at year-end due to the October capitalization deposit true-up, higher growth in retained earnings, a higher yield on the nearly \$3.2 billion in overnights, and the continuing maturity of longer-term investments that will be reinvested at a higher rate. As of June 2023, the SIF had \$1.55 billion in unrealized losses in the investment portfolio. Schied acknowledged that the equity ratio would be at 1.29% if the expected October capitalization deposit (true -up) is included.

Through the third Quarter of 2023 the SIF has suffered 2 losses totaling \$1.25 million which is well below the historical average. The number of CAMEL 4 and 5 credit unions rose from 127 in March 2023 to 134 in June 2023. Camel 3 credit unions dropped from 779 in March 2023 to 771 in June 2023. Total assets in CAMEL 3,4, and 5 credit unions is 4.85% in March 2023, compared to 4.34% in March 2023.

The Association is not anticipating the NCUA Board will consider a special assessment in 2023. However, all three NCUA Board members mentioned tightening liquidity as a pain point for credit unions for the foreseeable future.

Link to: [NCUSIF Financial Statistics](#)

## Final Rule – Financial Innovation

The NCUA Board voted unanimously to amend the NCUA's regulations regarding the purchase of loan participations and the purchase, sale, and pledge of eligible obligations and other loans. The final rule clarifies the NCUA's current regulations and provides additional flexibility for federally insured credit unions (FICUs) to make use of advanced technologies and opportunities offered by the financial technology sector.

The final rule also amends the NCUA's rule regarding loans to members and lines of credit to members by adding new provisions about indirect lending arrangements and indirect leasing arrangements. The rule is effective 30 days after publication in the Federal Register.

Key improvements include:

- A more streamlined path to establish indirect lending relationships with FinTech companies beyond just auto loans;
- Provisions for credit unions to purchase loan participation interests in loans that originated through an indirect lending relationship; and
- Facilitation of Federal Credit Union purchases of loans by narrowing the 5% eligible obligation limits.

Link to: [Final Rule Loan Participations, Eligible Obligation, and Notes of Liquidating Credit Unions.](#)

### Next NCUA Board Meeting

The next meeting of the NCUA Board of Directors is scheduled for **Thursday, October 20, 2023.**

## John Trull

VP, Regulatory Affairs

971.263.0681 | 800.995.9064

[gowestassociation.org](http://gowestassociation.org)