

The NCUA board met on February 15, 2024. As always Go West is pleased to provide a same-day analysis. The agency had some technical difficulties and momentarily lost its livestream just as Board member Otsuka began engaging with staff related to the Share Insurance Fund. While we did not get to see the result of the vote to adopt the Final Interpretive Ruling and Policy Statement (IRPS) related to the Minority Depository Institution Preservation Program we are confident that the policy was adopted.

The February Board meeting covered two items:

- 1. Board Briefing, Share Insurance Fund Quarterly Report**
 - a. [Link to Board Briefing](#)
- 2. Final Interpretive Ruling and Policy Statement, Minority Depository Institution Preservation Program**
 - a. [Link to Minority Depository Institution Preservation Program Policy Statement](#)

[Link to the NCUA Board Meeting](#)

Share Insurance Fund Quarterly Report

The Share Insurance Fund (SIF) briefing was presented by NCUA CFO Eugene Schied. Schied initiated his briefing by highlighting the agency's clean audit conducted by KPMG, before delving into the specifics of the Share Insurance Fund's performance.

Key points from Schied's update included a 31% increase in SIF spending between fiscal year 2022 and 2023, with a notable part of this increase being the addition of \$24.8 million to the loss reserve, bringing the total loss reserve to \$209 million. This build-up of loan loss reserves comes despite minimal credit union losses impacting the SIF, which still managed a net income of \$209.7 million, marking a 76% revenue increase from the previous fiscal year. This revenue boost is attributed to rapidly rising investment yields.

2023 saw just three credit union failures, resulting in a total SIF loss of \$1.41 million, one of the lowest annual loss amounts on record for the NCUA and notably, without any fraud involvement. The equity ratio as of December 2023 stood at 1.30, aligning with GoWest's projection and surpassing the NCUA's mid-year forecast of 1.27% for the end of the year. The discrepancy in projections by the agency was due to lower-than-expected share growth, fewer losses from failures than anticipated, and higher-yielding investments. The Normal Operating Level remains unchanged at 1.33. However, Chair Harper indicated that the NCUA would be looking comprehensively and reassessing what the NOL should be set at going forward.

Overall credit unions remain healthy, the percentage of insured assets in CAMEL 4 and 5 credit unions has decreased to just 0.28% across 125 credit unions, showing an improvement. However, the percentage of insured assets in CAMEL 3 credit unions increased to 7.81%, up from 3.66% at the end of 2022. Schied indicated that this was due to heightened interest rate and liquidity risks in response to a question from Vice Chair Hauptmann. Still, over 91% of assets are held in CAMEL 1 and 2 credit unions, indicating overall stability.

The NCUA's liquidity position remains strong, with \$5.5 billion in overnight investments. Chair Harper underscored the importance of credit unions maintaining adequate liquidity, especially in light of the Treasury bank term funding program ceasing new advances.

Final Interpretive Ruling and Policy Statement, Minority Depository Institution Preservation Program

The second agenda item resulted in the approval of an updated policy statement aimed at preserving Minority Depository Institutions, reflecting the NCUA's ongoing commitment to supporting financial inclusivity and the stability of minority-owned and operated credit unions. Key changes to the policy statement included:

- Updating the administering office to CURE to reflect the agency's current structure;
- Clarifying that the meaning of "community it services," means a credit union's field of membership;
- Adding a reference to agency guidance to examiners regarding supervision of minority depository institutions;
- Clarifying the process for reviewing a minority depository institution's designation status; and
- Adding new subsection headings and expanding the discussion of agency actions and policies in the areas of minority depository institution engagement, technical assistance, examinations of minority depository institutions, grants and loans, and training.

The next regularly scheduled meeting of the NCUA Board of Directors is scheduled for March 21, 2024.

John Trull

VP, Regulatory Affairs

971.263.0681 | 800.995.9064

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