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ANNUAL

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REPORT

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1987

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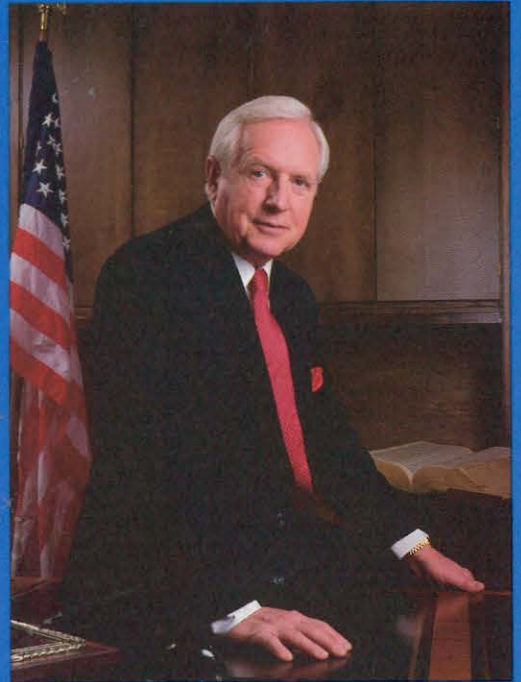
NATIONAL  
CREDIT UNION  
ADMINISTRATION

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Roger W. Jepsen  
Chairman



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Elizabeth F. Burkhart  
Vice Chairman





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ANNUAL

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REPORT

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1987

*The mission of the National Credit Union Administration is to ensure the safety and soundness of credit unions and to provide a flexible regulatory environment that will facilitate sound credit union development, while efficiently and effectively managing the Agency's resources and the share insurance fund.*

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NATIONAL  
CREDIT UNION  
ADMINISTRATION

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## Transmittal Letter

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NATIONAL CREDIT UNION ADMINISTRATION  
WASHINGTON, D.C. 20456  
OFFICE OF THE CHAIRMAN

April 1, 1988

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

I am pleased to submit this Annual Report of the National Credit Union Administration for 1987.

The report covers the operations of the National Credit Union Administration and includes reports on the National Credit Union Share Insurance Fund and the Central Liquidity Facility.

With kindest personal regards, I am

Sincerely,



ROGER W. JEPSEN  
*Chairman*

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Chairman

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Roger W. Jepsen

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**T**hroughout this report you will read of dramatic changes occurring at NCUA in 1987. The numbers and graphs quantify the changes very well, but for my part I would like to add the personal touch, beginning with a sincere expression of gratitude.

When we set out to accomplish our long-range goals, we believed the credit union movement would approve of our intentions. We were not prepared, however, for the outpouring of support which has accompanied our efforts. Whether I am on the road or reading mail in my office, I constantly hear that satisfaction with the changes occurring at NCUA is high. I thank everyone for taking time to communicate with me.

Thanks also and kudos to the NCUA staff, which I will say without reservation is the finest I have ever known. They have worked ceaselessly this year to implement programs that will carry this Agency well into the next decade. I am especially pleased with staff effort to recruit new examiners. Our recruitment program has resulted in exceptionally well-qualified individuals joining the staff.

The magnitude of our efforts this year has been somewhat breathtaking, but the purpose is simple: to serve credit unions and everything they stand for.



Roger W. Jepsen  
Chairman

If enthusiasm is contagious, we all have the bug. And this is one bug we want to keep around for a while. I am unequivocally committed to ongoing training and development of our staff, to improvements in supervision as opposed to new regulation, and to the fostering of credit union spirit wherever we can help.

NCUA and credit unions are partners in progress, building on a past that somehow never fades from the present. Our accomplishments in 1987 are now a matter of record. Let the record show that it was a good year for all.

A handwritten signature in black ink that reads "Roger W. Jepsen". The signature is written in a cursive, flowing style.

Roger W. Jepsen  
Chairman

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Vice Chairman  
Elizabeth F. Burkhart

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Elizabeth F. Burkhart  
Vice Chairman

**F**or NCUA 1987 was clearly a year of unprecedented progress. Our plans for staff development, technological advancement and significant enhancements in nearly every aspect of program and administration took form steadily as the year progressed.

I anticipate that 1988 will be a year for fine-tuning all of the far-reaching plans and programs we now have in motion and for continued progress in achieving our Agency goals. While our attention has been focused on improving the operations of the Agency, we recognize that we must not lose sight of our commitment to credit union philosophy and cooperative traditions.

Of necessity that commitment must deal with the steadily declining number of credit unions resulting from mergers and a near absence of new charters at state and federal levels. It must also reflect our concern about bringing credit union services to the less advantaged segments of society that are once again being by-passed by main stream providers of financial services, as they were 50 years ago.

*Elizabeth F. Burkhart*

Elizabeth F. Burkhart  
Vice Chairman



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## Building on the Past

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**A**s the National Credit Union Administration prepares for the 1990s, its Board and staff are aware that they are building on what has gone before.

But a sense prevails that the future will be more complex and more uncertain, that the pace of change is more rapid and that the need for excellence and wise decisions will increase.

This Annual Report for 1987 describes what NCUA has done and is doing to prepare for that complex and uncertain future, even as it remembers its past.

Created by act of Congress in 1934, the Federal credit union system at midyear 1987 consisted of 9,566 credit unions with total assets of \$104 billion. In addition, 5,010 state credit unions with assets of \$56 billion were federally insured. In 1934, only 2,028 state credit unions existed.

The Federal credit union agency had different names and was located in several Federal agencies until 1970 when NCUA was created as an independent agency with a single administrator. In 1970, Congress also established the National Credit Union Share Insurance Fund with insurance coverage of \$20,000 for member accounts, increased to \$40,000 in 1974 and \$100,000 in 1980.

In 1978, Congress replaced the single administrator with a three-member board and established the Central Liquidity Facility as a central bank for credit unions.

Legislation approved in the 1970s brought major changes in the products offered by credit unions and tremendous growth. But losses began to increase in the late 1970s, threatening the Share Insurance Fund. Legislation was approved in 1984 to capitalize the Fund with deposits from insured credit unions. Today it is the best reserved of the Federal deposit insurance programs.

The Bureau of Federal Credit Unions, the predecessor to NCUA, became self-sufficient in 1953 and began receiving its funding from credit union fees. Both the Share Insurance Fund and the Central Liquidity Facility were supported by credit unions from the start, and neither has ever received tax monies.

Credit unions have experienced phenomenal growth in recent years. Savings in Federal credit unions grew 20.7 percent in 1983, 16.1 percent in 1984, 23.6 percent in 1985 and 22.8 percent in 1986. At the same time, deregulation gave them more flexibility and more freedom to establish policies, products, membership and rates. Deregulation and growth have increased the need for close supervision to ensure safety and soundness.

Looking back, NCUA recognizes the work that others have done through the years as it prepares to carry out its future responsibilities to the credit unions it serves.

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## Objectives

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## Achieved

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**M**any of the objectives set forth in NCUA's five-year Long Range Plan were achieved during 1987. The Board and senior staff are scheduled to meet early in 1988 to plan for the attainment of the balance of our goals.

In addition, unqualified opinions were received from independent auditing firms for fiscal year 1987 for the three financial entities within the Agency, the NCUA Operating Fund, the National Credit Union Share Insurance Fund and the Central Liquidity Facility.

The long-range plan includes a mission statement, shown on this report's title page, and enumerates three major goals and the objectives to be reached to attain those goals. The plan will be updated regularly.

Objectives included annual examinations of all Federal credit unions, a uniform state/Federal examination and an improved rating system, better coordination with state supervisors and improved supervision of corporate credit unions.

Early identification of problems and trends, improved data collection, a highly competent and well-equipped field force, a flexible regulatory environment and a two-year budget planning process were also listed. All of these objectives were met.

With this ambitious program and an expanding field staff, the NCUA Board moved to strengthen the administration of the Agency and its regional offices. A new position, associate regional director, was created to share administrative duties in the regions, and six experienced staff members were selected to fill these new positions.



**Donald E. Johnson**  
Executive Director

Today, associate regional directors supervise field operations and special actions, while deputy directors are responsible for office operations and for communication with state supervisors, trade and professional associations. In addition, a deputy director of the Office of Examination and Insurances was named.

Looking ahead to the future administrative needs of the Agency, the Board established a management development program which is now in its second year. This program is preparing competitively selected mid-level staff to assume senior positions within the Agency.

Two office changes were made during the year. The office in Region I was moved from Boston to Albany, N.Y., for economic reasons. The Region V sub-office was moved from Denver to Sioux City to better serve the northern Plains states in NCUA's largest geographical region.

During 1987, the 100th Congress gave NCUA more control of its budget and greater leeway in personnel decisions. It exempted Federal financial regulatory agencies from budget sequestration under the Gramm-Rudman-Hollings deficit reduction law. It also protected the Agency from interference with its budget priorities.

NCUA Board members believe communication with the credit union community is especially important. To make this a two-way communication, they attended and participated in many credit union meetings and events throughout the country in 1987.

In addition, the Board holds some of its monthly meetings in cities around the country. During 1987, meetings were held in Biloxi, Miss.; Bismarck, N.D.; Anchorage, Alaska, and Charleston, W. Va.



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## Entering Technological Age

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**T**he age of technology dawned at NCUA during 1987 as credit union examiners moved from paper and pencil to computers and automated examinations and data collection.

When the NCUA Board adopted a long range plan for the Agency in 1986, it recognized the importance of technology in today's business environment. Chairman Jepsen's challenge then was that the Agency "seek the perfect solution" to its automation and communications needs.

Every member of the staff, every department and all regional offices participated in the Agency-wide effort to develop programs and to learn to use the new technology. Today every examiner carries a portable, "lap-top" computer and almost all other staff members have personal computers at their desks.

These computers expedite examinations, data collection, research and analysis. They will enable NCUA examiners and other staff to communicate instantaneously within the Agency and to enter and receive information from the main computer. State supervisory agencies will also be able to use the system.

Automation of the examination process has increased productivity and the quality of examinations. More analytical tools are available to the examiner and there is better quality control. As a result, examiners can provide credit union officers with better information and analysis, and the Agency is in a better position to protect the safety and soundness of the credit union system.







NCUA's new programs and new forms are geared to the special needs of credit unions. Semi-annual call reports from credit unions were expanded to include additional data, and over half were automated in June. The December 1987 call reports for all 9,700 Federal credit unions were fully automated.

In addition to automating its communications with credit unions, NCUA developed an automated accounting and reporting system for the use of the central and regional offices. This system has improved the Agency's financial reporting.

NCUA's computers provide instant transmittal of data, documents and all written material. During the year, two other technological developments also raised the Agency's communications level. An electronic, computer-based mail system and a data voice network using existing telephone lines have greatly improved both written and spoken communication. The data voice network allows every member of the staff to receive spoken recorded messages, to deliver voice messages to any staff member or a list of staff members and to store and forward messages.

All of these achievements were accomplished in spite of the Agency's simultaneous need to continue to use the old systems. It is a credit to the staff involved in carrying out these changes that they occurred quite smoothly.

NCUA's automated communications, supervision and data collection systems are state of the art. These developments make it possible for staff at all levels to react more quickly and more effectively to the day-to-day needs of the Agency and of credit unions.

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## Recruiting

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## Training

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## Emphasized

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**R**ecruiting and training were dominant NCUA activities during 1987 and as the year ended, Board members and staff felt a sense of excitement and of real accomplishment.

The NCUA Board signaled its intent in its 1987 budget to improve supervision and service to credit unions by adding examiners and greatly expanding its training program. It proposed to hire 205 additional examiners and to triple its training budget over a two-year period.

During 1987, 222 additional examiners were hired, bringing the number to 543 at the end of the year. Another 46 will be hired during 1988. To recruit these additional examiners, the Agency requested and received new hiring authority and approval of accelerated promotions from the U.S. Office of Personnel Management. Brochures, advertisements in targeted publications, personal contacts and campus recruiting were used to find candidates. The quality of the recruits was very high.

Training programs during 1987 included new examiner training, technical and non-technical training, computer training including the use of personal computers, the automated examination and the new CAMEL rating system.

New recruits now receive five levels of training, a total of eight weeks of structured training, within the first nine months of employment. On the job training is provided first as part of a team and then individually working with an experienced trainer. A total of 225 new Federal and state examiners received this training during 1987.





Advanced technical training programs for experienced examiners are offered in commercial lending, agricultural lending, off balance sheet risk, white collar crime, meeting with management and instructor training. These training programs are conducted by NCUA staff, the School for Banking of the South, Baton Rouge, La., and the Federal Financial Institutions Examination Council, Washington, D.C. A total of 182 Federal and state examiners attended these seminars.

Non-technical training included verbal and written communication, supervision and management, time and stress management and interviewing techniques. Some 250 staff members participated in one or more of these programs. A number of outside educational institutions were used during the year to meet individual training needs for about 300 staff members.

After the newly-automated examination program was field tested and put in final form, training was provided to those examiners. Fully 700 Federal and state examiners attended region-by-region training conferences. By October 1, the start of fiscal year 1988, the transition to an automated exam program was complete.

NCUA faced a variety of complex issues and problems in this major recruiting and training program. The Personnel Office coordinated the entire effort. The Office of Examination and Insurance developed and directed the technical training programs; the Office of Information Systems directed the computer training, and the Personnel Office developed and conducted the non-technical training. The regional offices were full partners in planning and implementing these training programs.



During 1987, NCUA prepared itself for the future—technically and organizationally. Credit union growth and increasing complexity demand a higher level of performance from the Agency. The NCUA Board and the entire staff worked hard during 1987 to prepare to meet that demand.



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## Doing a Better Job

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**E**xaminers, the men and women who serve on NCUA's front line, are better trained and better equipped than ever before. They also have more time to do a better job.

This striking improvement in credit union supervision is the result of two years of planning and implementation, with 1987 the year of transition.

When the NCUA Board approved the purchase of personal computers for all examiners, developing an automated examination program was given highest priority. The Office of Examination and Insurance, the Office of Information Systems and all regional offices worked together to design specifications for the program.

Those specifications included the Core Examination Program developed by NCUA and the National Association of State Credit Union Supervisors. A joint committee produced an examiner's guide, a set of Core Examination workpapers, a joint training program and a common examination report. Use of the Core Examination ensures a more uniform approach to the evaluation of safety and soundness.

An improved, more statistically valid and consistent credit union rating system also was introduced in 1987. The CAMEL system evaluates five crucial components: capital adequacy, asset quality, management, earnings and liquidity. It results in a more accurate evaluation of performance.







With the CAMEL system, the examiner looks at both qualitative and quantitative measurements related to each component. The unique characteristics of credit unions and credit union differences are taken into consideration.

The automated examination program is menu-driven, enabling examiners with limited or no computer experience to use it to perform examinations. While they were learning to use their new equipment and programs, NCUA examiners and regional offices maintained a full examining schedule. Every region reached NCUA's goal of annual examinations of all credit unions.

The corporate program, developed with the assistance of NASCUS and the Corporate Forum, was fully operational during 1987. Supervision of corporates is the responsibility of 15 specially trained examiners and the corporate specialist in the Office of Examination and Insurance. An on-going training program prepares examiners for the changes and developments in corporate credit unions.

An important supervisory tool, conservatorship, was reauthorized and made permanent by the 100th Congress in 1987. Conservatorship allows the Agency to take control of a failing credit union when it believes that the credit union can be returned to health. It also prevents the dissipation of a credit union's assets. Two credit unions were saved through conservatorship and returned to member control in 1987. In 1986, three credit unions were returned to member control after a period of conservatorship.

NCUA discharges its supervisory responsibilities through examination and careful supervision and by taking legal action in those few cases where it is deemed necessary. Today, credit unions have the best record for safety and soundness in the nation's financial system.



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## Helping Credit Unions

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**P**reserving and supporting credit unions and helping credit unions provide service to more people are two NCUA activities given considerable attention during 1987.

The Federal Credit Union Act directs NCUA to strengthen credit unions and to help extend credit union services to those who need them. The Board takes both of these charges seriously.

The decision to add examiners and to better train and equip all staff is one example. A well trained and equipped staff is better able to assist credit unions. Another example is NCUA's assistance to a newly chartered credit union in an inner city neighborhood of Dallas, Texas.

An NCUA research program assists credit unions in understanding and adapting to changing economic circumstances. During 1987, the Office of the Chief Economist prepared monthly economic reports and a number of special studies. Study subjects included the causes of credit union failures, changing credit union markets, the danger of some investments for credit unions, net worth and credit unions, and the effect of field of membership expansions.

During 1987, NCUA initiated a number of changes in the Federal Credit Union Act which benefit credit unions. All of the NCUA-requested amendments were included in the Competitive Bank Equality Act, approved by Congress and signed into law by President Reagan.

Amendments included one stating that member shares constitute a member's equity in a credit union, an issue raised by the accounting industry. Other sections lengthened permissible terms for mortgages or home improvement loans, removed the necessity for faithful performance coverage and transferred jurisdiction over credit union trade practices to NCUA.

Common Ground Community Federal Credit Union in Dallas is an innovative approach to meeting a community's need for financial services. This new credit union serves an inner city area of 100,000 people with 36 percent of the households below the poverty line. It is a minority population with 83 percent black residents and 10 percent Hispanic.

To help Common Ground Community FCU get started, NCUA is providing management consulting services, a training program and on-site quarterly reviews. Potential problems are addressed in a Letter of Understanding and Agreement signed by the credit union's leaders and NCUA.

To improve credit union services to college students, the NCUA Board in 1987 approved a College Student Credit Union Pilot Program. The three-year program will concentrate resources on student credit unions in order to identify methods which will ensure operational and financial success. Specially trained examiners will work with student credit unions. In addition, other resources for meeting the financial needs of college students will be studied.





A program to assist credit unions serving predominantly low income members became operational in 1987. The Community Development Revolving Loan Program for Credit Unions provides technical assistance and loans to eligible community development credit unions.

NCUA's regulatory authority is used to assist and support credit unions. A continuous review process attempts to keep regulations up to date, simple and not burdensome. Every regulation is examined by the Office of General Counsel and is subjected to public scrutiny at least every three years. During 1987, several rules were revised, simplified or eliminated as a result of this ongoing review process.

Business lending was the one area in which there was new regulation. After a study of the problems credit unions were experiencing, the NCUA Board adopted a business lending rule effective July 1 to provide guidance and set basic standards.

The rule was adopted after unprecedented public participation and comment, and credit union compliance has proceeded without difficulty. Requests from state regulators and individual credit unions for exemption from specific sections of the rule have been approved expeditiously.

NCUA is much more than a Federal regulatory agency. In many ways, it assists and strengthens credit unions, both individually and the credit union community as a whole.

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## Insuring

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### Member Shares

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**T**he National Credit Union Share Insurance Fund finished 1987 in a strong and healthy position. Credit union members could be assured that their funds were completely safe.

Having received its fourth consecutive unqualified audit opinion and with equity and reserves at record levels, the Fund is well positioned to absorb future losses and still maintain its operating level close to its 1.3 percent goal of insured shares.

Investment income for 1987 reflected the overall decrease in interest rates and declined by \$9 million to a total of \$112.7 million. Operating expenses were up 27 percent to a high of \$21.5 million and insurance losses rose to \$55.8 million, an \$18 million increase over 1986. Overall, the Fund's insurance losses per \$1,000 in total deposits have dropped from \$1.28 in 1982 to 38 cents in 1987.

NCUSIF earned sufficient net income for capital and reserves to reach an operating level of 1.28 percent of insured shares on June 30, 1987, the end of the insurance year. This was accomplished without assessing the annual insurance premium for the third straight year, which would have increased total income by \$105 million.

The number of credit unions receiving special financial assistance dropped from 30 at the beginning of the fiscal year to 16 on September 30. Of the closed cases, six credit unions paid \$15 million to retire their outstanding capital notes. Of the 16 remaining credit unions, only four had capital notes outstanding, totaling \$5 million.

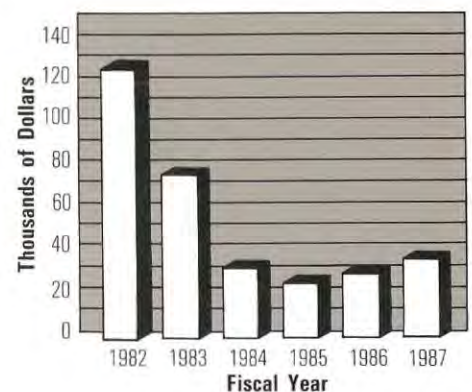
During 1987, 276 credit unions converted to Federal insurance from other insurance programs, compared to 309 in 1986. Most of these were the result of voluntary discontinuation of private insurance corporations in Utah and Virginia. On September 30, 1987, NCUSIF insured 9,556 Federal credit unions and 4,878 state credit unions with total insured shares of \$157 billion.

NCUSIF was established as a revolving fund in the U.S. Treasury in 1970 with no start-up capital or taxpayer monies.

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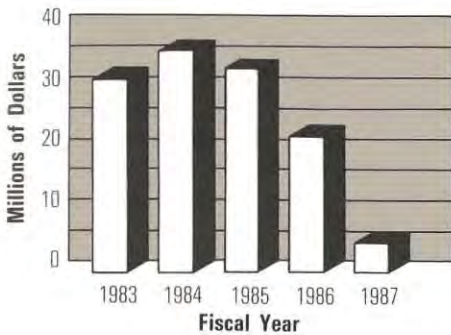
**NCUSIF Losses Per \$1,000.00  
of Insured Shares**

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### Amount of Capital Notes Outstanding



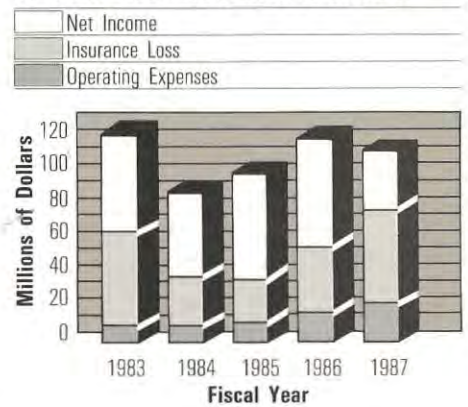
During the 1970s, insurance premiums were the Fund's primary source of income. With low insurance losses and operating expenses, the Fund's capital and reserves grew at a steady rate until it leveled off in 1979 at .3 percent of insured shares.

Losses began to increase in 1978 due to economic fluctuations, poor investments and stiffer competition, and the Fund's equity ratio dropped below .3 percent. In an effort to attain the 1 percent level stated in the Federal Credit Union Act, special assessments were levied in addition to the regular premiums in 1982 and 1983, with little effect.

Legislation to capitalize the Fund, approved by Congress in 1984, required credit unions to deposit 1 percent of insured shares in the Fund. A new operating level goal of 1.3 percent was established and the Fund is required to contribute sufficient net income to reach the goal.

Since capitalization, NCUSIF has been able to pay all administrative and insurance costs from its investment income and to maintain the Fund at its statutory level.

### NCUSIF Five Year Gross Income





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## Providing Liquidity

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**T**he Central Liquidity Facility, a mixed ownership government corporation which serves as a central bank for the credit union system, maintained its strong position during 1987.

Lending remained relatively stable throughout the year, with the loan portfolio on September 30 at \$111.5 million compared to \$105.5 million a year earlier. In addition, lines of credit totaling \$19 million were approved for five private share insurance funds.

Members are able to borrow from CLF during periods of low liquidity or tight credit. These include seasonal loans, and emergency cash delivery loans at times of critical need. All advances require a commitment fee of 1/4 of one percent, are nonrevolving, fully secured and must be used solely for liquidity needs.

Operating expenses of \$794,000 were less than the Congressionally approved budget of \$805,000. The reserve target of \$600,000 set by the NCUA Board was exceeded with the total reaching \$607,000.

Member equity at the end of fiscal year 1987 was \$354.5 million compared with \$287.7 million at the end of 1986. To become a CLF member, a credit union or its designated agent must purchase shares of CLF stock equal to one-half of one percent of its unimpaired capital and surplus. Forty-three agents represented 18,000 member credit unions in 1987 while another 338 credit unions were direct members.

Member credit unions received dividends in 1987 of \$18 million representing 97 percent of net earnings and a 6.1 percent return on member's capital and deposits.

An investment liquidity program, a joint effort of CLF, U.S. Central Credit Union and the corporate credit union network, was established in 1984. Its purpose is to increase the earning power of low yielding, long-term credit union investment portfolios. Due to interest rate declines, these investment portfolios are earning at current market rates.

CLF can invest in U.S. Government and agency obligations, deposits in federally-insured institutions and shares or deposits of credit unions. Investment maturities do not exceed six months with an average maturity of 72 days. The average yield on investments was 6.1 percent for the first part of 1987 compared to 5.5 percent for 90-day U.S. Treasury bills and 6.2 percent for Eurodollar certificates of deposit.

# Financial Results

**F**inancial results for fiscal year 1987, reflected in the Operating Fund financial statements, were remarkably close to the approved budget. NCUA's total operating expenses of \$42.76 million were just \$130,000 or .03 percent under budget.

The operating budget was funded equally by the transfer of expenses to the Share Insurance Fund and by operating fees collected from Federal credit unions. In addition, NCUA received about \$756,000 of investment income and about \$792,000 from the sale of publications and charges for information provided to the public. Total revenue

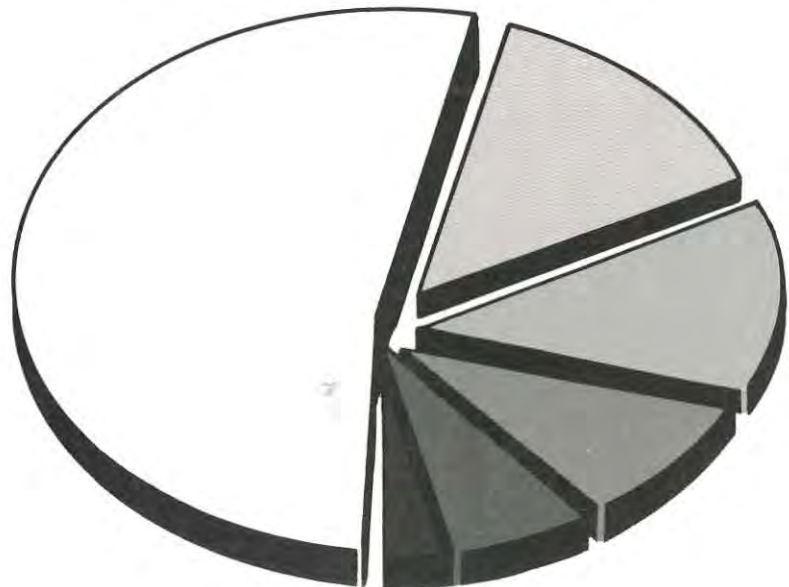
of \$22.2 million from operating fees, interest and other income was about \$98,500 over the budget estimate.

The transfer of expenses to the Share Insurance Fund, referred to as the overhead transfer, is re-evaluated each year. An internal study, based on the distribution of examiner time by function, determines the mix of insurance versus non-insurance activities.

This year's study indicated that slightly more than one-half of the Agency's resources is devoted to insurance-related activities. Accordingly, the NCUA Board has approved a policy of splitting the Agency's operating expenses equally between the Operating Fund and the Insurance Fund.

## Operating Results Fiscal Year 1987

Personal Services	55 %
Employee Travel	13.5 %
Employee Benefits	11 %
Rent, Communications and Utilities	8.5 %
Administrative	8 %
Contracted Services	4 %





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The principal change on the Operating Fund balance sheet is the increase in fixed assets from \$588,000 to over \$5.2 million, almost entirely due to the purchase of computer equipment. On the liability side, the large increase in payables is associated with computer acquisitions and about 30 employee moves which were in progress at yearend. Significant increases in accrued wages and benefits, annual leave (unused employee vacation time) and employee travel are primarily the result of staffing increases.

Net income, the amount by which revenue exceeded expenses, was about \$809,000 for the year. Under generally accepted accounting principles as followed by the Operating Fund, net income (or loss) is added to the Fund's equity balance at the close of each fiscal year. The Fund balance, just under \$3.2 million at the start of the year, increased to just under \$4 million with this year's net income contribution.

Approximately 66 percent of the Agency's operating expenses in fiscal year 1987 was for wages and benefits, while 13.5 percent was for employee travel expenses. Thus, almost 80 percent of operating expenses was directly related to the staffing level.

During the year, total permanent staff increased from 657 to 794. As a result of this increase, expenses for wages, benefits and travel reimbursement have risen about 25 percent since last year. Since the remainder of the planned field staff increase will be accomplished in fiscal 1988, NCUA's operating budget will level off in fiscal year 1989.

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**National Credit Union Administration  
Operating Fund  
Report and Financial Statements  
for the Years Ended  
September 30, 1987 and 1986**

*Price Waterhouse*



November 13, 1987

Board of Directors  
National Credit Union Administration

In our opinion, the statements appearing on pages 22 through 26 of this report present fairly the financial position of the National Credit Union Administration-Operating Fund at September 30, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, in the method of accounting for operating fee revenues made as of October 1, 1985, as described in Note B to the financial statements. Our examinations of these statements were made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, issued by the U.S. Comptroller General in 1981, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

*Price Waterhouse*

Washington, D.C.



**National Credit Union Administration  
Operating Fund Balance Sheets**

	September 30,	
	1987	1986
<b>ASSETS</b>		
Cash	\$ 14,930	\$ 5,450
Investment (Notes B and C)	3,224,282	5,965,000
Due from National Credit Union Administration - Share Insurance Fund (Note D)	2,478,899	929,350
Employee advances	575,659	163,656
Other accounts receivable	89,677	100,876
Prepaid expenses	129,797	120,244
Furniture and equipment, net of accumulated depreciation of \$3,400,755 and \$2,702,088	5,014,693	588,144
Leasehold improvements, net of accumulated amortization of \$13,116	218,459	
Total assets	\$11,746,396	\$7,872,720
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts payable	\$3,083,596	\$1,354,267
Accrued wages and benefits	1,463,814	1,097,665
Accrued annual leave	2,238,160	1,915,846
Accrued employee travel	964,040	317,010
Total liabilities	7,749,610	4,684,788
<b>FUND BALANCE:</b>		
Available for operations	(610,715)	2,599,788
Invested in fixed assets, net	4,607,501	588,144
Total fund balance	3,996,786	3,187,932
Total liabilities and fund balance	\$11,746,396	\$7,872,720

The accompanying notes are an integral part of these financial statements.

**National Credit Union Administration  
Operating Fund Statements of Revenue,  
Expenses and Changes in Fund Balance**

	Year ended September 30,	
	1987	1986
<b>REVENUE</b>		
Operating fee revenue	\$21,162,842	\$16,934,295
Investment income	755,853	725,005
Miscellaneous income	269,768	345,625
Total revenue	22,188,463	18,004,925
<b>EXPENSES</b>		
Employee wages and benefits	14,070,751	11,653,342
Travel expense	2,894,044	1,852,982
Rent, communications, and utilities	1,833,043	1,775,370
Contracted services	867,486	749,388
Other administrative	1,714,285	976,823
Total administrative expenses	21,379,609	17,007,905
Excess of revenue before cumulative effect of change in accounting principle	808,854	997,020
Cumulative effect on prior years of changing to a different revenue recognition policy (Note B)		3,510,501
Excess of revenue	808,854	4,507,521
Fund balance (deficit) at beginning of year	3,187,932	(1,319,589)
Fund balance at end of year	\$3,996,786	\$3,187,932

The accompanying notes are an integral part of these financial statements.



**National Credit Union Administration  
Operating Fund Statements of Changes in  
Financial Position**

	Year ended September 30,	
	1987	1986
Cash and investments were provided by:		
Operations:		
Excess of revenue	\$808,854	\$4,507,521
Items not affecting cash:		
Depreciation and amortization	784,493	337,729
Loss on disposition of fixed assets	3,727	
Decrease (increase) in:		
Other accounts receivable	11,199	18,723
Due from NCUA-Insurance Fund	(1,549,549)	(579,424)
Prepaid expenses	(9,553)	4,102
Increase (decrease) in:		
Accounts payable	1,729,329	844,694
Accrued wages and benefits	366,149	272,577
Accrued annual leave	322,314	338,680
Accrued employee travel	647,030	131,190
Deferred operating revenue		(3,510,501)
Cash and investments provided by operations	<u>3,113,993</u>	<u>2,365,291</u>
Cash and investments were used for:		
Purchases of furniture and equipment and leasehold improvements	5,433,228	102,385
Employee advances	412,003	140,700
Total uses of cash and investments	<u>5,845,231</u>	<u>243,085</u>
(Decrease) increase in cash and investments	(2,731,238)	2,122,206
Cash and investments—beginning of year	<u>5,970,450</u>	<u>3,848,244</u>
Cash and investments—end of year	<u>\$3,239,212</u>	<u>\$5,970,450</u>
Composed of:		
Cash	\$14,930	\$5,450
Investments	<u>3,224,282</u>	<u>5,965,000</u>
Total cash and investments	<u>\$3,239,212</u>	<u>\$5,970,450</u>

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

### Note A - Organization and Purpose

The National Credit Union Administration - Operating Fund (the Fund) was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration Board for the purpose of providing administration and service to the Federal Credit Union System.

### Note B - Significant Accounting Policies

#### Investments

The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Investments are stated at cost adjusted for amortization of premium and accretion of discount.

### Depreciation and Amortization

Furniture and equipment and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straightline method over the estimated useful lives of furniture and equipment and the shorter of the estimated useful life or lease term for leasehold improvements.

### Deferred Operating Fee Revenue

The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding June 30. The fee is designed to cover the costs of providing administration and service to the Federal Credit Union System. Prior to fiscal year 1986, fees were recognized as revenue ratably during the calendar year in which they were assessed. Fees assessed but not yet recognized as revenue were classified as deferred revenue.

In fiscal year 1986, the Fund changed the manner in which it accounts for operating fee revenue. Operating fees are now recognized on a fiscal year (as opposed to calendar year) basis. This change was made in order to better match the recognition of such fees with the annual budgeted fiscal year expenditure upon which such fees are based.

The effect in fiscal year 1986 was to increase operating fee revenue, by approximately \$723,000. The adjustment of \$3,510,501 to record the cumulative effect on prior years of the new policy is included in income in fiscal year 1986.

### Income Taxes

The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

### Note C - Investments

All cash received by the fund which is not used to defray operating expenses is invested in U.S. Treasury Securities.

As of September 30, 1987 and 1986, the Fund's investment portfolio consisted of the following:

	1987		1986	
	Book Value	Market Value	Book Value	Market Value
U.S. Treasury Securities:				
Overnight funds	\$1,223,000	\$1,223,000	\$5,965,000	\$5,965,000
Maturities less than one year	2,001,282	1,999,098		
Total	<u>\$3,224,282</u>	<u>\$3,222,098</u>	<u>\$5,965,000</u>	<u>\$5,965,000</u>



**Note D - Transactions with the National  
Credit Union Administration -  
Share Insurance Fund  
(NCUSIF)**

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by NCUA's Board of Directors derived from an estimate of actual usage. The cost of these services, which totaled \$21,379,609 and \$16,821,936 for the years ended September 30, 1987 and 1986, respectively, are reflected as a reduction of the corresponding expenses in the accompanying financial statements.

**Note E - Commitments**

The Fund leases certain office space under an agreement which expires in November 1994. The agreement provides for annual rent adjustments based on increases in the consumer price index. In addition, the Fund leases certain office equipment under operating leases. Rental charges for the years ended September 30, 1987 and 1986 amounted to \$1,893,700 and \$1,889,600 of which \$946,850 and \$944,800 was reimbursed by NCUSIF.

The future minimum lease payments as of September 30, 1987, are as follows:

1988	\$ 980,000
1989	980,000
1990	997,000
1991	1,001,000
1992	1,001,000
Thereafter	2,169,000
	<hr/>
	\$7,128,000
	<hr/>

Based on the allocation factor approved by the NCUA Board of Directors for fiscal year 1988, NCUSIF will reimburse the Fund for approximately 50% of the future lease payments.

**Note F - Retirement Plan**

Certain employees of the Fund hired before January 1, 1984 participate in the Civil Service Retirement System which is a defined contribution retirement plan. Contributions to the plan are based on a percentage of employees' gross pay. Pension contributions for the years ended September 30, 1987 and 1986 were \$1,474,452 and \$1,358,175 of which \$737,226 and \$679,087 was reimbursed by NCUSIF, respectively.

During 1987, the Federal Employees Retirement System (FERS) was implemented. This is a defined contribution retirement plan and is comprised of a Social Security Benefits Plan, a Basic Benefit Plan and a Savings Plan and is mandatory for all employees hired on or after January 1, 1984. Employees hired before January 1, 1984 have until December 31, 1987 the option to elect to transfer coverage from the Civil Service Retirement System. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan employees can also elect additional contributions between one and ten percent of their gross pay and the NCUA will match up to five percent of the employee elected contribution. Pension contributions for the year ended September 30, 1987 were \$396,647 of which \$198,324 was reimbursed by NCUSIF.

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## Economic Surprise

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**T**he major economic story of 1987, the October stock market crash, had surprisingly little effect on credit unions.

Federal credit unions are not permitted to invest in equity securities so the market decline caused no direct harm to credit unions. The fallout from the crash can be summarized by one plus and one potential minus.

On the plus side, interest rates were forced down about 1 percentage point as funds from the stock market flowed to government securities, raising their prices. The major beneficial result was that many credit unions could recoup some losses on mutual funds and long term government securities.

On the potentially negative side, the loss of household wealth curbed consumer spending, although not by as much as some had thought. A slight softening in overall consumer borrowing ensued. But credit union lending held up very well.

Loans at Federal credit unions rose 15.8 percent in 1987, up slightly from the 14.6 percent rise in 1986. Two-thirds of that 1987 growth came in the last half of the year. Thus, what could have been a serious blow from the stock market crash did not materialize for credit unions.

In fact, the big story on credit unions last year was the dramatic turnaround in loan growth versus savings growth. In 1985 and 1986 savings grew nearly 60 percent faster than loans. Savings rose 23.6 percent in 1985 and 22.8 percent in 1986 while loans grew 14.5 and 14.6 percent, respectively, those two years. In 1987 the tables were reversed. Loan growth was 15.8 percent while savings rose only 9.5 percent, all of it in the first half of the year. Savings growth was flat the last half of the year. In the setting of the late 1970s or early 1980s these numbers would have been viewed with concern; but in the current environment of excess liquidity in credit unions they are most welcome.

The loan-to-share ratio at Federal credit unions rose from 62.8 percent in 1986 to 66.5 in 1987. This helped to tame an enticement faced by credit unions for nearly three years now—to put their surfeit of funds to work in high-yielding, but market risky, investments. Many credit unions invested large sums in mutual funds and long term government securities in 1986 and the first half of 1987, but the interest rate declines of March and April and again in late summer and early fall proved devastating. As rates rose, security values declined.

As of June 1987, NCUA's Office of the Chief Economist counted 125 Federal credit unions with unrealized losses that exceeded undivided earnings and other revocable reserves. Twenty Federal credit unions had losses exceeding total capital accounts, including regular reserves, and seven credit unions showed losses more than twice their total capital accounts.

Credit unions are at their best when they are making loans to their members. While investing is necessary, and sometimes exciting, it can also be risky in a volatile interest rate environment. The best route to increased earnings and rising capital ratios for credit unions is sound lending operations.

In 1985 and 1986 credit unions were losing market share and loans were lagging due in part to an unfavorable competitive posture on loan rates. But in the last half of 1986 and in 1987 credit unions made great strides in reducing dividend rates, which, in turn, made possible lower loan rates.

This progress in reducing rates paid on shares and charged on loans in 1987 will serve credit unions well in 1988. It should help to continue the slowdown in share growth, increase loan growth, increase earnings and thereby increase capital ratios.



# Federal Credit

## Unions

### Consolidated Income and Expense Statement

(Amounts in thousands)

December 31

	<sup>1</sup> 1986	1987	Percentage change
<b>INCOME</b>			
Interest on loans	\$6,585,792	\$6,929,596	5.2
Less: interest refund	(22,012)	(14,406)	-34.6
Income from investments	2,459,330	2,760,340	12.2
Other operating income	392,587	482,743	23.0
Total gross income	\$9,415,700	\$10,158,273	7.9
<b>EXPENSES</b>			
Employee compensation and benefits	1,329,810	1,486,010	11.7
Travel & conference expenses	49,228	55,144	11.9
Office occupancy	152,741	177,484	16.2
Office operations expenses	578,588	668,234	15.5
Educational and promotional	71,248	81,438	14.3
Loan servicing expense	63,825	89,016	39.5
Professional and outside services	222,685	248,010	11.4
Provision for loan losses	355,055	417,790	17.7
Member insurance	146,534	148,516	1.4
Operating fees	17,137	22,459	31.1
Interest on borrowed money	25,353	44,532	75.6
Miscellaneous operating expenses	102,651	145,819	42.1
Total operating expenses	3,114,933	3,584,455	15.1
<b>NON-OPERATING GAINS OR LOSSES</b>			
Gain (loss) on investments	66,983	(35,993)	-153.7
Gain (loss) on disposition of assets	3,767	3,424	-9.1
Other non-operating income (expenses)	10,910	7,528	-31.0
Total income (loss) before dividends	6,382,426	6,548,777	2.6
Transfer to regular and statutory reserves	249,920	236,707	-5.2
Dividends and interest on deposits	5,506,254	5,623,873	2.1
Net income (loss) after dividends and reserve transfers	\$ 626,349	688,197	9.9

<sup>1</sup> Revised

Note: Because of rounding, detail may not add to totals.

**Consolidated Balance Sheet**

(Amounts in thousands)

December 31

	<sup>1</sup> 1986	1987	Percentage change
<b>ASSETS</b>			
Cash	\$ 2,300,534	2,327,055	1.2
Loans outstanding	55,304,682	64,104,484	15.9
Allowance for loan losses	(414,640)	(466,506)	12.5
<b>INVESTMENTS</b>			
U.S. Government/Federal agency securities	8,788,578	10,417,910	18.5
Commercial banks	5,755,779	4,139,680	-28.1
S&Ls and mutual savings banks	10,700,842	10,834,089	1.2
Corporate credit unions	7,136,129	6,285,614	-11.9
Common trusts	1,800,648	1,193,176	-33.7
Share insurance/other capital deposits	708,806	815,063	15.0
Other investments	818,644	2,623,917	220.5
Total investments	35,709,426	36,309,449	1.7
Allowance for investment losses	(21,417)	(57,168)	166.9
Land and building (net of depreciation)	1,045,868	1,236,264	18.2
Other fixed assets	531,989	597,776	12.4
Other assets	1,027,379	1,138,340	10.8
Total assets	95,483,828	105,189,697	10.2
<b>LIABILITIES</b>			
Notes payable	460,716	857,264	86.1
Dividends payable	636,615	636,448	0.0
Accounts payable and other liabilities	614,252	601,561	-2.1
Total liabilities	1,711,583	2,095,273	22.4
<b>EQUITY/SAVINGS</b>			
Regular shares	54,362,408	59,005,745	8.5
Share certificates	13,212,347	14,086,937	6.6
IRA/Keogh accounts	11,773,331	13,641,130	15.9
Share drafts	8,502,631	9,611,048	13.0
Permanent capital shares	103,094	1,545	-98.5
Total savings	87,953,813	96,346,405	9.5
Regular reserves	2,417,081	2,763,630	14.3
Other reserves	894,778	961,860	7.5
Undivided earnings	2,506,024	3,022,527	20.6
Total equity/savings	93,772,245	103,094,422	9.9
Total liabilities/equity	\$95,483,828	105,189,697	10.2

<sup>1</sup> Revised

Note: Because of rounding, detail may not add to totals.

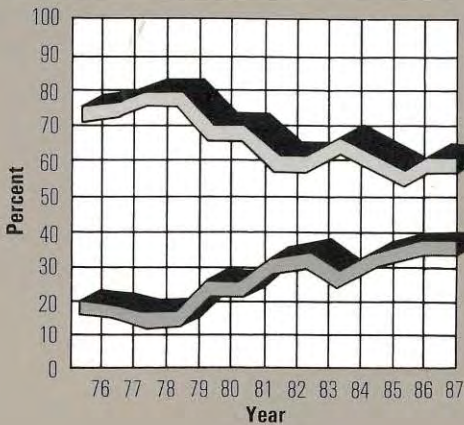


## Natural Person Federal Credit Unions by State

December 31, 1987

### Loan to Asset Ratio

Loans/Assets  
Investments/Assets



State	Number FCUs 1987	Assets (in millions) 1987	Assets (in millions) 1986	Percent change in Assets
Alabama	145	\$1,627	\$ 1,464	11.1
Alaska	17	1,210	1,102	9.8
Arizona	51	1,498	1,407	6.5
Arkansas	88	380	339	12.1
California	743	17,112	15,211	12.5
Colorado	133	1,704	1,663	2.5
Connecticut	225	2,167	2,012	7.7
Delaware	61	408	353	15.6
District of Columbia	117	1,759	1,624	8.3
Florida	233	5,877	5,286	11.2
Georgia	220	1,715	1,591	7.8
Guam	3	42	36	16.7
Hawaii	132	2,045	1,819	12.4
Idaho	47	448	391	14.6
Illinois	280	1,713	1,591	7.7
Indiana	309	3,582	3,289	8.9
Iowa	7	33	32	3.1
Kansas	43	308	294	4.8
Kentucky	117	903	813	11.1
Louisiana	308	1,523	1,413	7.8
Maine	106	1,068	952	12.2
Maryland	172	2,673	2,414	10.7
Massachusetts	258	3,273	2,758	18.7
Michigan	235	3,708	3,420	8.4
Minnesota	52	621	486	27.8
Mississippi	123	563	506	11.3
Missouri	25	154	143	7.7
Montana	88	525	494	6.3
Nebraska	71	536	479	11.9
Nevada	30	809	729	11.0
New Hampshire	21	471	411	14.6
New Jersey	440	3,070	2,877	6.7
New Mexico	41	749	678	10.5
New York	894	8,335	7,543	10.5
North Carolina	104	1,304	1,154	13.0
North Dakota	25	78	72	8.3
Ohio	500	2,783	2,505	11.1
Oklahoma	86	901	867	3.9
Oregon	133	1,163	1,065	9.2
Pennsylvania	1,075	5,140	4,700	9.4
Puerto Rico	32	162	141	14.9
Rhode Island	14	23	25	-8.0
South Carolina	108	1,364	1,232	10.7
South Dakota	79	315	292	7.9
Tennessee	136	1,668	1,528	9.2
Texas	648	7,443	6,889	8.0
Utah	54	342	320	6.9
Vermont	7	92	69	33.3
Virgin Islands	5	7	6	16.7
Virginia	240	7,060	6,484	8.9
Washington	119	1,693	1,548	9.4
West Virginia	155	663	613	8.2
Wisconsin	3	117	108	8.3
Wyoming	43	263	248	6.0
<b>Total</b>	<b>9,401</b>	<b>105,190</b>	<b>\$95,484</b>	<b>10.2</b>

Differences in assets from other tables is due to rounding.

**New Federal Charters**  
**Field of Membership Expansion**  
 January 1- December 31, 1987

Number of New Charters	41
Membership Potential	5,327,965
Number of Membership Expansions	5,693
Membership Potential	2,572,688
Total New Membership Potential	7,900,653

**Number by Asset Size**  
 December 31, 1987

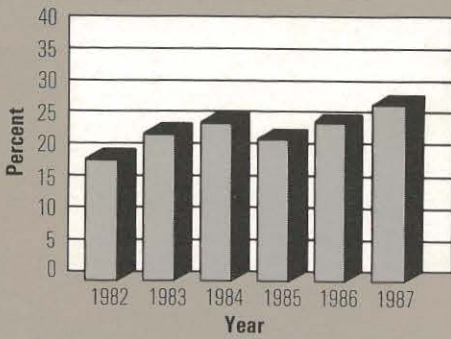
Asset size	Number of FCUs	Percentage of total	Cumulative percentage
Less than \$50 thousand	196	2.1	2.1
\$50 to \$100 thousand	245	2.6	4.7
\$100 to \$250 thousand	755	8.0	12.7
\$250 to \$500 thousand	934	9.9	22.7
\$500 thousand to \$1 million	1,223	13.0	35.7
\$1 million to \$2 million	1,369	14.6	50.2
\$2 million to \$5 million	1,774	18.9	69.1
\$5 million to \$10 million	1,078	11.5	80.6
\$10 million to \$20 million	769	8.2	88.7
\$20 million to \$50 million	629	6.7	95.4
\$50 million to \$100 million	245	2.6	98.0
\$100 million and over	184	2.0	100.0

**Natural Person Federal Credit Unions by Asset Size**  
 December 31, 1987

Asset size	Assets (in thousands)	Percentage of total	Cumulative percentage
Less than \$50 thousand	\$5,594	0.0	0.0
\$50 to \$100 thousand	18,577	0.0	0.0
\$100 to \$250 thousand	133,065	0.1	0.1
\$250 to \$500 thousand	342,626	0.3	0.5
\$500 thousand to \$1 million	890,028	0.8	1.3
\$1 million to \$2 million	1,992,830	1.9	3.2
\$2 million to \$5 million	5,768,612	5.5	8.7
\$5 million to \$10 million	7,577,001	7.2	15.9
\$10 million to \$20 million	10,902,938	10.4	26.3
\$20 million to \$50 million	19,316,870	18.4	44.6
\$50 million to \$100 million	17,224,382	16.4	61.0
\$100 million and over	41,017,187	39.0	100.0



### Long Term Investments as Percent of Total Investments



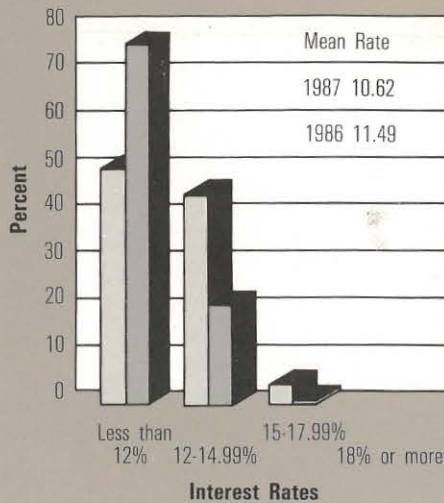
### Distribution of Savings by Type of Account as Percent of Total

December 31

Type of account	1983	1984	1985	1986	1987
Regular shares	73.9	68.7	69.3	71.6	71.2
Share drafts	8.5	9.1	9.5	9.7	10.0
Other regular shares	65.5	59.6	59.8	61.9	61.2
Share certificates	26.1	31.3	30.7	28.4	28.8
IRA and Keogh	5.9	9.0	11.7	13.4	14.2
Other certificates	20.2	22.3	19.0	15.0	14.6
Total savings in millions	\$49,891	\$57,929	\$71,616	\$87,954	96,346

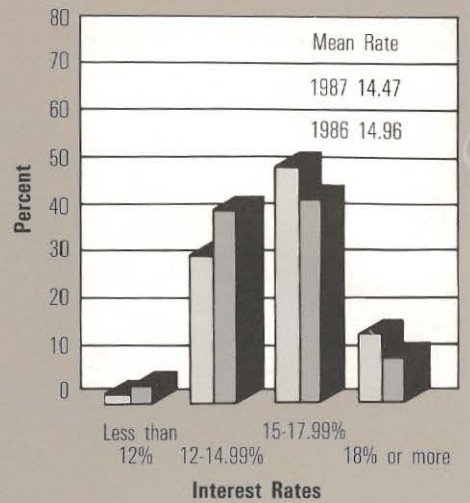
### Distribution of Interest Rates New Car Loans

1986  
1987



### Distribution of Interest Rates Unsecured Loans

1986  
1987



## Loans Outstanding

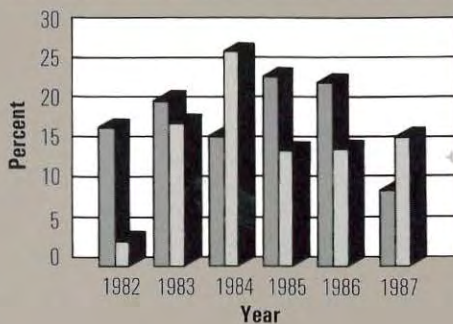
(In millions)  
December 31

	1983	1984	1985	<sup>1</sup> 1986	1987
Loans outstanding	\$33,201	\$42,133	\$48,241	\$55,305	\$64,104
Allowance for loan losses	270	299	354	415	466
Regular reserves	1,489	1,800	2,132	2,417	2,764
Amount of delinquent loans	748	828	1,006	1,172	1,219
Loans charged off	195	195	253	381	448
Recoveries on loans	40	45	46	53	64
Provision for loan losses	162	165	249	355	418
SIGNIFICANT RATIOS (as a percentage of loans outstanding)					
Allowance for loan losses	0.81	0.71	0.73	0.75	0.73
Regular reserves	4.48	4.27	4.42	4.37	4.31
Delinquent loans	2.25	1.97	2.09	2.12	1.90
Loans charged off	0.59	0.46	0.52	0.69	0.70
Net loans charged off	0.47	0.36	0.43	0.59	0.60
Provision for loan losses	0.49	0.39	0.52	0.64	0.65

<sup>1</sup> Revised

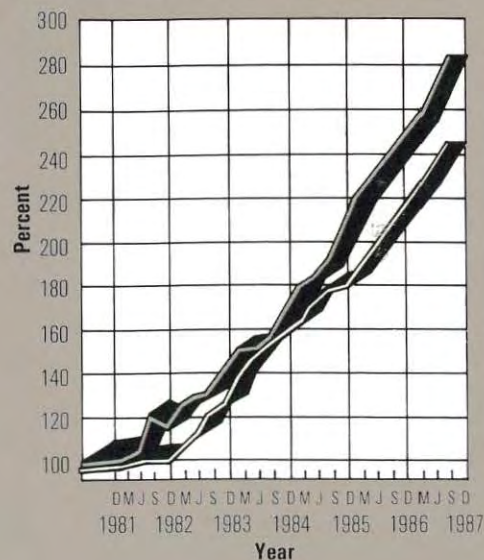
## Annual Percentage Change: Shares and Loans

Loans Outstanding  
Member Shares



## Index of Loan and Share Growth

Loans Outstanding  
Member Shares





### Sources of Income

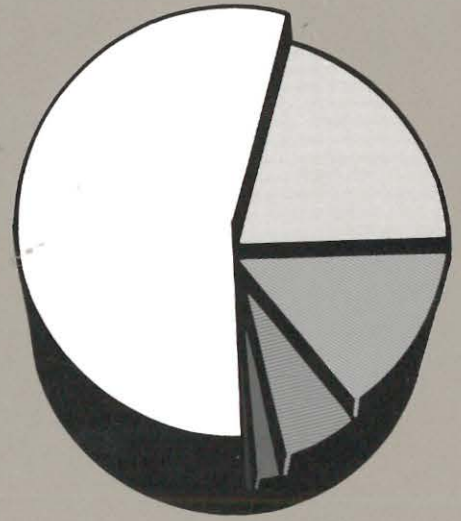
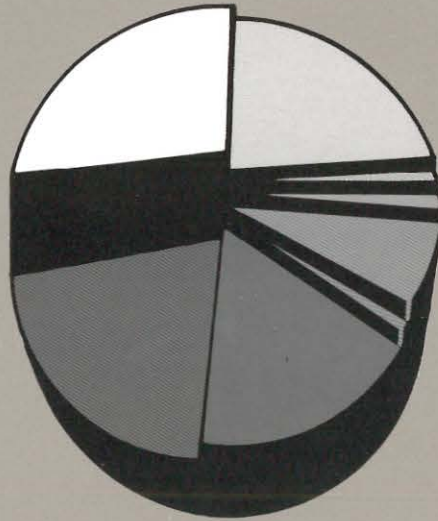
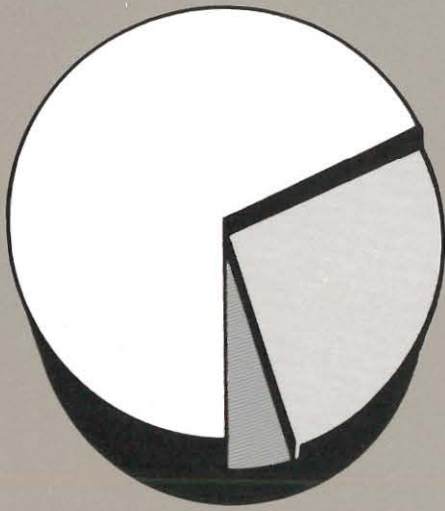
Loans	6,915	68.1%
Investments	2,760	27.2%
Other	483	4.8%

### Loan Distribution

Unsecured Loans	10,995	17.2%
New Auto Loans	15,460	24.1%
Real Estate	17,571	27.4%
Loans to Members	14,605	22.8%
Agricultural Loans	42	0.1%
Commercial	593	0.9%
Lines of Credit	4,294	6.7%
All Other Loans	544	0.8%

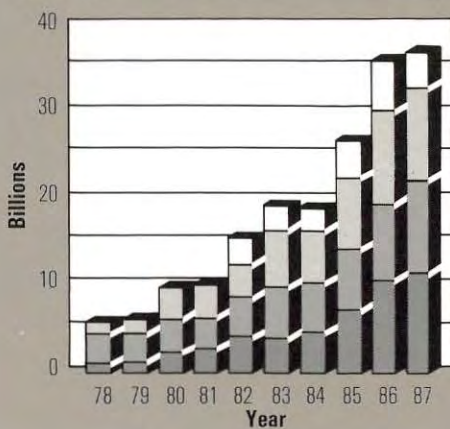
### Uses of Funds

Dividends	5,624	55.4%
General/Admin.	2,098	20.7%
Salaries/Benefits	1,486	14.6%
Retained Earnings	688	6.8%
Regular Reserves	237	2.3%
Other	25	0.2%



### Investments

Commercial Banks
Other Financial Institutions
U.S. Government/Federal Agencies
Corporates & Other



### Total Investments

(Amount in millions)

	1983	1984	1985	<sup>1</sup> 1986	1987
U.S. Government obligations	\$1,751	\$1,795	\$2,409	\$3,518	\$4,439
Federal agency securities	3,648	3,930	4,548	5,270	5,979
Common trust investments	653	421	640	1,801	1,193
Deposits in commercial banks	2,774	2,541	4,146	5,757	4,140
Deposits in S&Ls and savings banks	6,297	5,867	8,113	10,700	10,834
Shares/deposits in corporate CUs	3,255	3,429	5,079	7,136	6,286
Share insurance/other capital deposits	N/A	N/A	602	709	815
Investments in other CUs	125	104	126	165	189
Other investments <sup>2</sup>	360	479	594	653	2,435
Allowance for investment losses	(17)	(19)	(17)	(21)	(57)
<b>Total investments</b>	<b>18,846</b>	<b>18,566</b>	<b>26,257</b>	<b>35,709</b>	<b>36,310</b>

#### PERCENTAGE BREAKDOWN PER YEAR

	1983	1984	1985	1986	1987
U.S. Government obligations	9.3	9.7	9.2	9.9	12.2
Federal agency securities	19.3	21.2	17.3	14.8	16.5
Common trust investments	3.5	2.3	2.4	5.0	3.3
Deposits in commercial banks	14.7	13.7	15.8	16.1	11.4
Deposits in S&Ls and savings banks	33.4	31.6	30.9	30.0	29.8
Shares/deposits in corporate CUs	17.3	18.5	19.3	20.0	17.3
Share insurance/other capital deposits	N/A	N/A	2.3	2.0	2.2
Investments in other CUs	0.7	0.6	0.5	0.5	0.5
Other investments <sup>2</sup>	1.9	2.6	2.3	1.8	6.7
<b>Total investments</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<sup>1</sup> Revised

<sup>2</sup> Includes loans to other CUs, shares in the Central Liquidity Facility of NCUA and other investments

### Annual Growth Rates in Reserves and Undivided Earnings

	1980	1981	1982	1983	1984	1985	1986	1987
Total reserves	6.2%	15.5%	14.7%	13.7%	23.0%	22.4%	18.0%	12.6%
Regular reserve	1.0	7.6	9.6	12.4	20.9	19.3	13.4	14.4
Other reserves	11.4	15.8	10.2	15.6	25.7	13.3	21.6	7.5
Undivided earnings	12.7	27.8	23.4	14.6	24.4	29.6	21.4	20.7



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**CAMEL Rating System**Number by Categories  
December 31, 1987

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1 year change
Codes 1 and 2	8,712	8,488	7,862	7,237	7,093	7,365	7,425	7,250	6,536	5,800	-736
Code 3	3,373	3,433	3,770	3,737	3,751	2,855	2,623	2,460	2,734	3,063	329
Code 4	674	817	585	720	661	646	451	375	440	486	46
Code 5 <sup>1</sup>			223	175	126	97	48	40	48	52	4
Total	12,759	12,738	12,440	11,869	11,631	10,963	10,547	10,125	9,758	9,401	-357

<sup>1</sup> Code 5 implemented during 1980.<sup>2</sup> CAMEL System implemented during 1987.

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**Distribution by Asset Size  
in CAMEL Ratings 4 and 5**

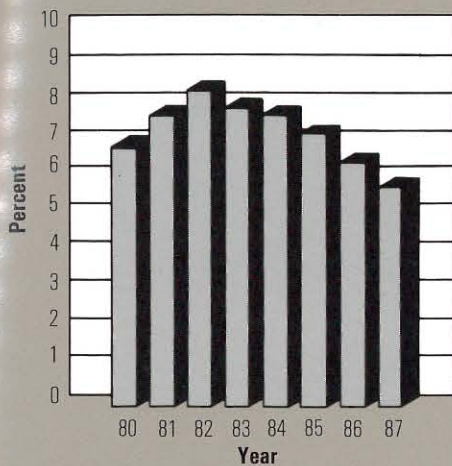
December 31, 1987

Asset size	Number of credit unions	Total assets (in thousands)
< 1 million	251	\$81,648
1-10 million	202	738,212
10-20 million	42	597,929
20-50 million	21	616,700
50-100 million	14	985,988
> 100 million	8	1,319,492
Total	\$538	\$4,339,959

### Federal Credit Unions Experiencing Losses

Year ending December 31	Number of Federal Credit Unions	Number experiencing losses	Percentage of total	Amount of negative earnings (in thousands)
1981	11,969	2,561	21.4	\$82,735
1982	11,631	2,572	22.1	63,098
1983	10,963	2,443	22.3	45,434
1984	10,547	1,041	9.9	18,555
1985	10,125	1,178	11.6	31,604
1986	9,758	1,360	13.9	43,805
1987	9,401	1,481	15.8	71,410

### Effective Cost of Shares



### Losses in 1987

Asset size	Number of FCUs	Assets	Amount of 1987 losses	Amount of reserves and undivided earnings
Less than \$1 million	646	\$247,351,505	\$2,975,790	\$21,161,647
\$1 million to less than 2 million	229	326,332,167	3,080,829	20,469,498
\$2 million to less than \$5 million	248	781,106,461	7,260,976	41,716,345
\$5 million to less than \$10 million	150	1,041,402,994	7,940,059	48,097,947
\$10 million to less than \$20 million	98	1,385,524,328	9,295,012	60,580,347
\$20 million to less than \$50 million	71	2,229,377,882	13,878,194	88,202,738
\$50 million and over	39	4,588,229,179	26,978,982	162,520,375
Total	1,481	10,599,324,516	71,409,842	442,748,897



## Historical Data

### Selected Data for Federal Credit Unions

December 31, 1934-87

Year	Charters issued	Charters canceled	Net change	Total outstanding	Inactive credit unions	Active credit unions	(Amounts in thousands of dollars)			
							Members	<sup>1</sup> Assets	<sup>1</sup> Shares	Loans outstanding
1934 <sup>2</sup>	78		78	78	39	39	3,240	\$23	\$23	\$15
1935	828		828	906	134	772	119,420	2,372	2,228	1,834
1936	956	4	952	1,858	107	1,751	309,700	9,158	8,511	7,344
1937	638	69	569	2,427	114	2,313	483,920	19,265	17,650	15,695
1938	515	83	432	2,859	99	2,760	632,050	29,629	26,876	23,830
1939	529	93	436	3,295	113	3,182	850,770	47,811	43,327	37,673
1940	666	76	590	3,855	129	3,756	1,127,940	72,530	65,806	55,818
1941	583	89	494	4,379	151	4,228	1,408,880	106,052	97,209	69,485
1942	187	89	98	4,477	332	4,145	1,356,940	119,591	109,822	43,053
1943	108	321	213	4,264	326	3,938	1,311,620	127,329	117,339	35,376
1944	69	285	216	4,048	233	3,815	1,306,000	144,365	133,677	34,438
1945	96	185	89	3,959	202	3,757	1,216,625	153,103	140,614	35,155
1946	157	151	6	3,965	204	3,761	1,302,132	173,166	159,718	56,801
1947	207	159	48	4,013	168	3,845	1,445,915	210,376	192,410	91,372
1948	341	130	211	4,224	166	4,058	1,628,339	258,412	235,008	137,642
1949	523	101	422	4,646	151	4,495	1,819,606	316,363	285,001	186,218
1950	565	83	482	5,128	144	4,984	2,126,823	405,835	361,925	263,736
1951	533	75	458	5,586	188	5,398	2,463,898	504,715	457,402	299,756
1952	692	115	577	6,163	238	5,925	2,853,241	662,409	597,374	415,062
1953	825	132	693	6,856	278	6,578	3,255,422	854,232	767,571	573,974
1954	852	122	730	7,586	359	7,227	3,598,790	1,033,179	931,407	681,970
1955	777	188	589	8,175	369	7,806	4,032,220	1,267,427	1,135,165	863,042
1956	741	182	559	8,734	384	8,350	4,502,210	1,529,202	1,366,258	1,049,189
1957	662	194	468	9,202	467	8,735	4,897,689	1,788,768	1,589,191	1,257,319
1958	586	255	331	9,533	503	9,030	5,209,912	2,034,866	1,812,017	1,379,724
1959	700	270	430	9,963	516	9,447	5,643,248	2,352,813	2,075,055	1,666,526
1960	685	274	411	10,374	469	9,905	6,087,378	2,669,734	2,344,337	2,021,463
1961	671	265	406	10,780	509	10,271	6,542,603	3,028,294	2,673,488	2,245,223
1962	601	284	317	11,097	465	10,632	7,007,630	3,429,805	3,020,274	2,560,722
1963	622	312	310	11,407	452	10,955	7,499,747	3,916,541	3,452,615	2,911,159
1964	580	323	257	11,664	386	11,278	8,092,030	4,559,438	4,017,393	3,349,068
1965	584	270	324	11,978	435	11,543	8,640,560	5,165,807	4,538,461	3,864,809
1966	701	318	383	12,361	420	11,941	9,271,967	5,668,941	4,944,033	4,323,943

<sup>1</sup> Data for 1934-44 are partly estimated.

<sup>2</sup> First charter approved October 1, 1934.

<sup>3</sup> Revised.



## Selected Data for Federal Credit Unions

December 31, 1934-87—Continued

Year	Charters Issued	Charters canceled	Net change	Total outstanding	Inactive credit unions	Active credit unions	Members	(Amounts in thousands of dollars)		
								<sup>1</sup> Assets	<sup>1</sup> Shares	Loans outstanding
1967	636	292	344	12,705	495	12,210	9,873,777	\$6,208,158	\$5,420,633	\$4,677,480
1968	662	345	317	13,022	438	12,584	10,508,504	6,902,175	5,986,181	5,398,052
1969	705	323	382	13,404	483	12,921	11,301,805	7,793,573	6,713,385	6,328,720
1970	563	412	151	13,555	578	12,977	11,966,181	8,860,612	7,628,805	6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,533,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974	367	369	-2	12,972	224	12,748	15,870,434	16,714,673	14,370,744	12,729,653
1975	373	334	39	13,011	274	12,737	17,066,428	20,208,536	17,529,823	14,868,840
1976	354	387	-33	12,978	221	12,757	18,623,862	24,395,896	21,130,293	18,311,204
1977	337	315	22	13,000	250	12,750	20,426,661	29,563,681	25,576,017	22,633,860
1978	348	298	50	13,050	291	12,759	23,259,284	34,760,098	29,802,504	27,686,584
1979	286	336	-50	13,000	262	12,738	24,789,647	36,467,850	31,831,400	28,547,097
1980	170	368	-198	12,802	362	12,440	24,519,087	40,091,855	36,263,343	26,350,277
1981	119	554	-435	12,367	398	11,969	25,459,059	41,905,413	37,788,699	27,203,672
1982	114	556	-442	11,925	294	11,631	26,114,649	49,755,270	45,503,266	27,998,657
1983	107	736	-629	11,296	320	10,976	26,798,799	54,481,827	49,889,313	33,200,715
1984	135	664	-529	10,767	219	10,548	28,191,922	63,656,321	57,929,124	42,133,018
1985	55	575	-520	10,247	122	10,125	29,578,808	78,187,651	71,616,202	48,240,770
1986	59	441	-382	9,865	107	9,758	31,041,142	95,483,421	87,953,642	55,304,267
1987	41	460	-419	9,446	45	9,401	32,059,321	105,189,697	96,346,405	64,104,484

<sup>1</sup> Data for 1934-44 are partly estimated.

<sup>2</sup> First charter approved October 1, 1934.

## Distribution of Consumer Credit

Type of lender	1983	1984	1985	<sup>1</sup> 1986	1987
Credit unions	13.7	14.8	13.9	13.4	13.8
Commercial banks	43.4	46.1	45.0	45.2	44.8
Savings institutions	7.1	8.3	10.2	9.9	10.5
Retailers	8.4	8.9	7.9	7.6	7.2
Finance companies	26.3	21.0	22.2	23.3	23.1
Gasoline companies	1.1	0.9	0.8	0.6	0.6
Consumer installment					
Credit outstanding (in millions)	\$388,718	\$460,500	\$543,223	\$586,259	\$621,442

<sup>1</sup> Revised

Source: Federal Reserve Board



**Federal Credit Unions**  
**10 Year Summary, 1978-1987**

(Dollars amounts in millions as of December 31)

	1978	1979	1980	1981	1982	1983	1984	1985	<sup>1</sup> 1986	1987
Number of Credit Unions	12,759	12,738	12,440	11,969	11,631	10,976	10,548	10,125	9,758	9,401
Number of members	23,259,284	24,789,647	24,519,087	25,459,059	26,114,649	26,798,799	28,191,922	29,578,808	31,041,142	32,059,321
Assets	\$34,760	\$35,334	\$37,515	\$39,181	\$45,494	\$54,482	\$63,656	\$78,188	\$95,484	\$105,190
Loans outstanding	27,687	28,182	26,165	27,238	28,192	33,201	42,133	48,241	55,305	64,104
Shares	29,803	30,768	33,812	35,248	41,352	49,891	57,929	71,616	87,954	96,346
<sup>2</sup> Reserves	1,365	1,426	1,473	1,614	1,773	2,007	2,451	2,884	3,312	3,725
Undivided earnings	485	629	709	906	1,118	1,281	1,592	2,063	2,056	3,023
Gross income	3,201	3,530	3,824	4,681	5,406	6,064	7,454	8,526	9,416	10,158
Operating expenses	1,214	1,428	1,498	1,660	1,822	2,045	2,314	2,674	3,115	3,584
Dividends	1,706	1,862	2,185	2,656	3,185	3,573	4,413	5,090	5,506	5,624
Reserve transfers	150	88	98	1447	147	166	260	282	250	237
Net income	131	153	43	219	244	87	473	521	626	688
Percent Change	1978	1979	1980	1981	1982	1983	1984	1985	<sup>1</sup> 1986	1987
Total assets	17.6	1.7	6.2	4.4	16.1	19.8	16.8	22.8	22.1	10.2
Loans outstanding	22.0	1.8	-7.2	4.1	3.5	17.8	26.9	14.5	14.6	15.9
Savings	16.5	3.2	9.9	4.2	17.3	20.6	16.1	23.6	22.8	9.5
Reserves	3.0	4.5	3.3	9.6	9.9	13.2	22.1	17.7	14.8	12.5
Undivided earnings	31.1	29.7	12.7	27.8	23.4	14.6	24.3	29.6	21.5	20.6
Gross income	24.1	10.3	8.3	22.4	15.5	12.2	22.9	14.4	10.4	7.9
Operating expenses	25.4	17.6	4.9	10.8	9.8	12.2	13.2	15.6	16.5	15.1
Dividends	23.0	9.1	17.3	21.6	19.9	12.2	23.5	15.3	8.2	2.1
Reserve transfers	7.1	-41.3	11.4	50.0	0.0	12.9	56.6	8.5	-11.3	-5.2
Net income	54.1	16.8	-71.9	409.3	11.4	17.6	64.8	10.1	20.2	9.9
Significant Ratios (%)	1978	1979	1980	1981	1982	1983	1984	1985	<sup>1</sup> 1986	1987
Reserves to assets	3.9	4.0	3.9	4.1	3.9	3.7	3.9	3.7	3.5	3.5
Reserves and undivided earnings to assets	5.3	5.8	5.8	6.4	6.4	6.0	6.4	6.3	6.1	6.4
Reserves to loans	4.9	5.1	5.6	5.9	6.3	6.0	5.8	6.0	6.0	5.8
Loans to shares	92.9	91.6	77.4	77.3	68.2	66.5	72.7	67.4	62.9	66.5
Operating expenses to gross income	37.9	40.5	39.2	35.5	33.7	33.7	31.0	31.4	33.1	35.3
Salaries and benefits to gross income	11.6	14.3	14.7	14.1	14.1	14.4	13.6	13.6	14.1	14.6
Dividends to gross income	53.3	52.7	57.1	56.7	58.9	58.9	59.2	59.7	58.5	55.4
Yield on average assets	11.0	10.1	10.5	12.2	12.8	12.1	11.7	12.0	10.8	10.1
Cost of funds to average assets	5.8	5.9	6.4	7.2	7.5	7.1	7.0	7.2	6.4	5.6
Gross spread	4.2	4.2	4.2	5.1	5.3	5.0	4.7	4.8	4.5	4.5
Net income divided by gross income	4.1	4.3	1.1	4.7	4.5	4.7	6.3	6.1	6.6	6.8
Yield on average loans	10.9	10.9	11.0	12.5	13.6	13.7	12.4	13.5	12.7	11.6
Yield on average investment	8.4	8.6	10.3	12.8	12.3	10.2	11.0	9.5	7.9	7.7

<sup>1</sup> Revised

<sup>2</sup> Does not include the allowance for loan losses.



## Federally Insured State Credit Unions

### 10 Year Summary, 1978 – 1987

(Dollars amounts in millions as of December 31)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Number of Credit Unions	4,362	4,769	4,910	4,994	5,023	4,915	4,645	4,920	4,935	4,957
Number of members	11,479,963	12,218,682	12,337,726	12,954,206	13,113,393	14,277,816	15,205,029	15,689,048	17,362,780	18,285,600
Assets	\$16,657	\$18,460	\$20,870	\$22,584	\$24,089	\$27,479	\$29,188	\$41,525	\$52,244	59,560
Loans outstanding	\$14,038	\$15,204	\$14,582	\$15,341	\$15,582	\$17,215	\$19,951	\$26,168	\$30,834	37,950
Shares	\$14,316	\$15,871	\$18,469	\$20,007	\$21,636	\$24,297	\$26,327	\$37,917	\$48,097	54,200
Reserves	\$889	\$1,014	\$1,086	\$1,191	\$1,250	\$1,341	\$1,409	\$1,781	\$2,147	2,600
Undivided earnings	\$282	\$350	\$397	\$508	\$601	\$655	\$728	\$1,065	\$1,253	1,570
Gross income	\$1,550	\$1,849	\$2,142	\$2,745	\$2,879	\$3,062	\$3,428	\$4,508	\$5,117	5,740
Operating expenses	\$524	\$660	\$760	\$905	\$981	\$1,024	\$1,060	\$1,364	\$1,655	1,940
Dividends	\$826	\$899	\$1,218	\$1,554	\$1,584	\$1,747	\$1,975	\$2,684	\$3,004	3,180
Regular reserve transfer	N/A	N/A	N/A	\$128	\$131	\$130	\$179	\$227	\$201	200
Net income	N/A	N/A	N/A	\$164	\$190	\$165	\$219	\$256	\$288	410
Percent Change	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total assets	21.0	10.8	13.1	8.2	6.7	14.1	6.2	42.3	25.8	14.0
Loans outstanding	25.2	8.3	-4.1	5.2	-0.4	12.6	15.9	31.2	17.8	23.1
Savings	21.8	10.9	16.4	8.3	8.1	12.3	8.4	44.0	26.8	12.7
Reserves	20.0	14.1	7.1	9.7	5.0	7.3	5.1	26.4	20.6	21.1
Undivided earnings	48.4	24.1	13.4	28.0	18.3	9.0	11.1	46.3	17.7	25.3
Gross income	26.7	19.3	15.8	28.2	4.9	6.4	12.0	31.5	13.5	12.2
Operating expenses	25.7	26.0	15.2	19.1	8.4	4.4	3.5	28.7	21.3	17.2
Dividends	40.0	8.8	35.5	27.6	1.9	10.3	13.1	35.9	11.9	5.9
Reserve transfers	N/A	N/A	N/A	N/A	2.3	-0.8	37.7	26.8	-11.5	-0.5
Net income	N/A	N/A	N/A	N/A	15.9	-13.2	32.7	16.9	12.5	42.4
Significant Ratios (%)	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Reserves to assets	5.3	5.5	5.2	5.3	5.2	4.9	4.8	4.3	4.1	4.4
Reserves and undivided earnings to assets	7.0	7.4	7.1	7.5	7.7	7.3	7.3	6.9	6.5	7.0
Reserves to loans	6.3	6.7	7.4	7.8	8.2	7.8	7.1	6.8	7.0	6.9
Loans to shares	98.1	95.8	79.0	76.7	70.6	70.9	75.8	69.0	64.1	70.0
Operating expenses to gross income	33.8	35.7	35.5	33.0	34.1	33.4	30.9	30.3	32.3	33.8
Salaries and benefits to gross income	11.6	14.3	14.7	14.1	14.1	14.4	13.6	13.6	13.9	14.5
Dividends to gross income	53.3	48.6	56.9	56.6	55.0	57.1	57.6	59.5	58.7	55.4
Yield on average assets	11.0	10.1	10.5	12.2	12.8	12.1	11.7	12.0	11.2	10.4
Cost of funds to average assets	5.8	5.9	6.4	7.2	7.5	7.1	7.0	7.2	6.4	5.5
Gross spread	4.2	4.2	4.2	5.1	5.3	5.0	4.7	4.8	4.5	4.3
Net income divided by gross income	N/A	N/A	N/A	6.0	6.6	5.4	6.4	5.7	5.6	7.1
Yield on average loans	10.9	10.9	11.0	12.5	13.6	13.7	12.4	13.5	12.7	11.1
Yield on average investment	8.4	8.6	10.3	12.8	12.3	10.2	11.0	9.5	8.0	7.5

N/A indicates not available.

<sup>1</sup> Estimated, based on 60% of expected returns.

<sup>2</sup> Does not include the Allowance for Loan Losses.



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# Corporate Credit

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## Unions

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### Federal Corporate Credit Unions

December 31, 1987

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Corporate name	Assets (in millions)
Western Corporate, Pomona, California	\$2,383
Southwest Corporate, Dallas, Texas	1,402
Capital Corporate, Landover, Maryland	307
League Central of Maine, Portland, Maine	114
Virginia League Corporate, Lynchburg, Virginia	286
Mid-States Corporate, Oak Brook, Illinois	1,725
Southeast Corporate, Tallahassee, Florida	512
Mid-Atlantic Corporate, Harrisburg, Pennsylvania	458
Nebraska Corporate Central, Omaha, Nebraska	98
Indiana Corporate, Indianapolis, Indiana	472
Empire Corporate, Albany, New York	742
Colorado Corporate, Arvada, Colorado	364
South Dakota Corporate Central, Sioux Falls, South Dakota	50
Pacific Corporate, Honolulu, Hawaii	192
Eastern Corporate, Stoneham, Massachusetts	290
LICU Corporate, Endicott, New York	1
Kentucky Corporate, Louisville, Kentucky	133

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### Federally-Insured State Corporate Credit Unions

December 31, 1987

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Corporate name	Assets (in millions)
Georgia Central, Atlanta, Georgia	305.1
Ohio League Corporate, Columbus, Ohio	411.6
Minnesota Central, St. Paul, Minnesota	158.1
Oregon Corporate Central, Portland, Oregon	161.5
Corporate CU of Arizona, Phoenix, Arizona	195.4
Oklahoma Corporate, Tulsa, Oklahoma	241.3
Iowa League Corporate, Des Moines, Iowa	204.4
Constitution State Corporate, South Wallingford, Connecticut	410.4
First Carolina Corporate, Greensboro, North Carolina	503.2
Federacion de Cooperativas, San Juan, Puerto Rico	36.6
Alabama Corporate, Birmingham, Alabama	130.9
The Carolina Corporate, Columbia, South Carolina	110.7

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**Key Statistics on Federally-Insured  
Corporate Credit Unions**

(In millions of dollars)

December 31, 1987

	1983	1984	1985	<sup>1</sup> 1986	1987
Number	29	29	29	29	29
Assets	\$5,937.8	\$6,046.1	\$9,060.6	\$12,182.1	\$12,291.8
Loans	177.1	465.7	459.8	621.0	1,288.0
Shares	5,679.0	5,273.6	8,024.2	10,852.0	10,525.5
Reserves	58.4	71.0	84.1	104.1	124.4
Undivided earnings	24.2	31.2	38.4	45.3	54.0
Gross income	615.5	661.9	663.9	785.5	891.4
Operating expenses	16.7	17.6	21.2	25.4	28.0
Interest on borrowed money	13.6	37.4	45.5	47.9	73.3
Dividends and interest on deposits	565.1	584.9	575.9	685.9	761.7
Reserve transfers	11.2	12.0	10.5	17.2	16.7
Net income	7.6	10.0	11.4	9.0	13.9
<b>SIGNIFICANT RATIOS (%)</b>					
Reserves to assets	1.0	1.2	0.9	0.9	1.0
Reserves and undivided earnings to assets	1.4	1.7	1.4	1.2	1.5
Reserves to loans	33.0	15.2	18.3	16.8	9.7
Loans to shares	3.1	8.8	5.7	5.7	12.2
Operating expenses to gross income	2.7	2.7	3.2	3.2	3.1
Salaries and benefits to gross income	1.0	1.1	1.1	1.1	1.2
Dividends to gross income	91.8	88.4	86.7	87.3	85.4
Yield on average assets	10.3	11.0	8.7	8.7	7.3
Cost of funds to average assets	9.5	10.4	8.1	8.1	6.8
Gross spread	0.8	1.4	0.6	0.6	0.6
Net income divided by gross income	1.2	1.5	1.7	1.1	1.6
Yield on average loans	7.2	12.0	7.8	7.8	7.8
Yield on average investments	10.6	10.8	8.8	8.8	8.8

<sup>1</sup> Revised



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## Board Members

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Roger W. Jepsen, chairman, was nominated by President Ronald Reagan as NCUA chairman and sworn into office October 17, 1985. He was nominated to a full six-year term by President Reagan in 1987. Chairman Jepsen was a member of the U.S. Senate from the state of Iowa from 1979 to 1984, where he was a member of the Armed Services Committee, the Agriculture, Nutrition and Forestry Committee and the Joint Economic Committee, which he chaired for two years. He served two terms as lieutenant governor of Iowa and four years as supervisor of Scott County. His career has included education, insurance, agribusiness and marketing. A native of Cedar Falls, he served in the 82nd Airborne Division of the U.S. Army in 1946-1947. He attended Iowa State Teachers College and received his bachelor's degree and master's degree with honors from Arizona State University, Tempe.

Elizabeth F. Burkhart, vice chairman, was appointed by President Reagan in 1982 and nominated by him for a full six-term in 1985. She was named vice chairman in 1987. Mrs. Burkhart came to Washington, D.C., from Texas to be deputy treasurer of the Reagan-Bush Campaign Committee and was named associate deputy administrator of the Veterans Administration in 1981. Her career included teaching, two years in the Marine Corps and 10 years at the Texas Commerce Bank, Houston. She graduated from Midwestern University, received a master's degree in business administration from Houston Baptist University and attended Southwestern Graduate School of Banking at Southern Methodist University, Dallas.

P. A. Mack Jr. served as a member of the Board from 1979 until his resignation August 31, 1987. He served as acting chairman from April to October 1985 and as vice chairman from 1985 until he resigned to become president of a credit union organized by the American Association of Retired Persons. Before coming to NCUA, he was administrative assistant to Senator Birch Bayh of Indiana from 1971 to 1979 and had been associated with banks in Illinois. His career included university teaching and he has owned and managed Mack Farms, Delavan, Ill., since 1955.

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## Officers

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Roger W. Jepsen  
Chairman

Elizabeth F. Burkhart  
Vice Chairman

Donald E. Johnson  
Executive Director

Rebecca J. Baker  
Secretary of the Board

Susan L. Nelowet  
Executive Assistant to the Chairman

Harry J. Blaisdell  
Executive Assistant  
to the Vice Chairman

Charles H. Bradford  
Chief Economist

Robert M. Fenner  
General Counsel

D. Michael Riley  
Director  
Office of Examination and  
Insurance

Robert E. Loftus  
Director  
Office of Public and Congressional  
Affairs

Herbert S. Yolles  
Controller

Joan E. Perry  
Internal Auditor

Benny R. Henson  
Director  
Office of Administration

Joseph W. Visconti  
Director  
Office of Information Systems

Dorothy W. Foster  
Director  
Office of Personnel

Foster C. Bryan  
Director  
Region I

Harvey J. Baine III  
Director  
Region II

John S. Ruffin  
Director  
Region III

H. Allen Carver  
Director  
Region IV

J. Leonard Skiles  
Director  
Region V

Robert J. LaPorte  
Director  
Region VI









National Credit Union Administration  
Washington, D.C. 20456

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# NCUA

National Credit Union Administration, a U.S. Government Agency

SHARE INSURANCE FUND  
**1987** ANNUAL  
REPORT

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**NATIONAL CREDIT UNION ADMINISTRATION**

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*October 1, 1986 - September 30, 1987*

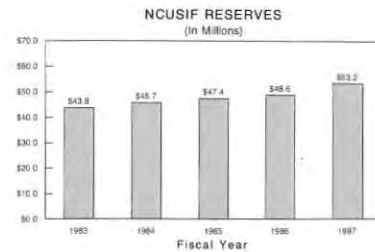
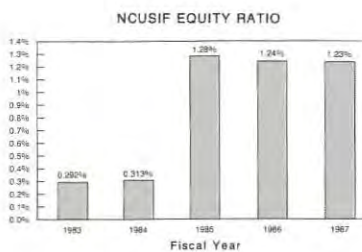
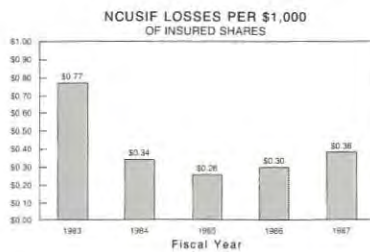
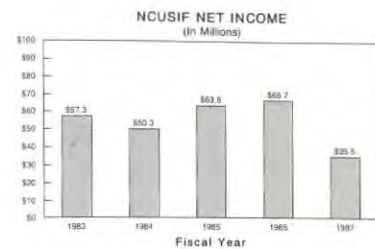
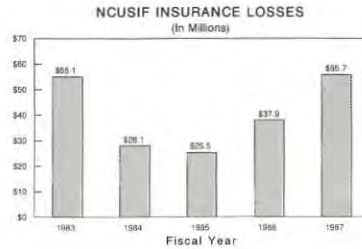
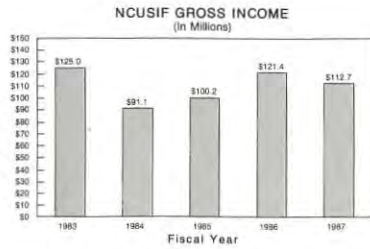


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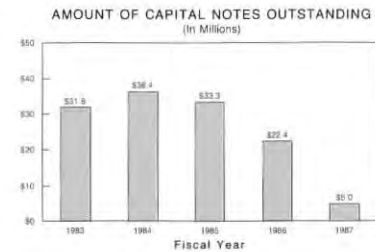
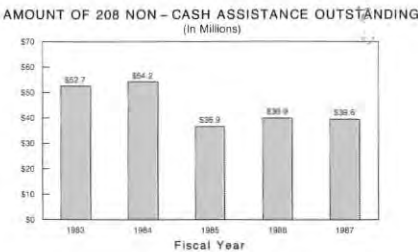
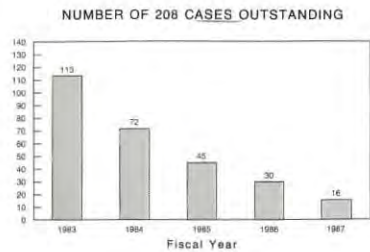
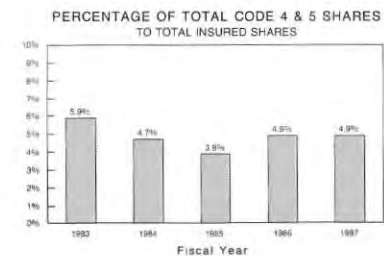
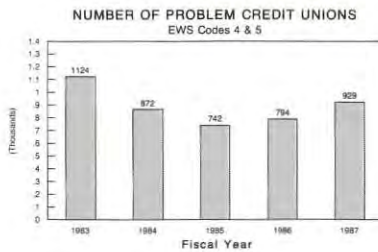
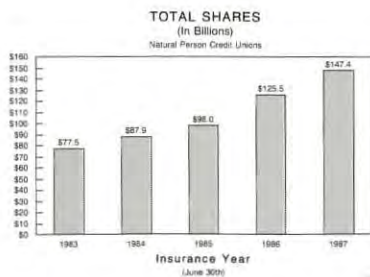
THE UNIVERSITY OF  
ALABAMA

THE UNIVERSITY OF ALABAMA

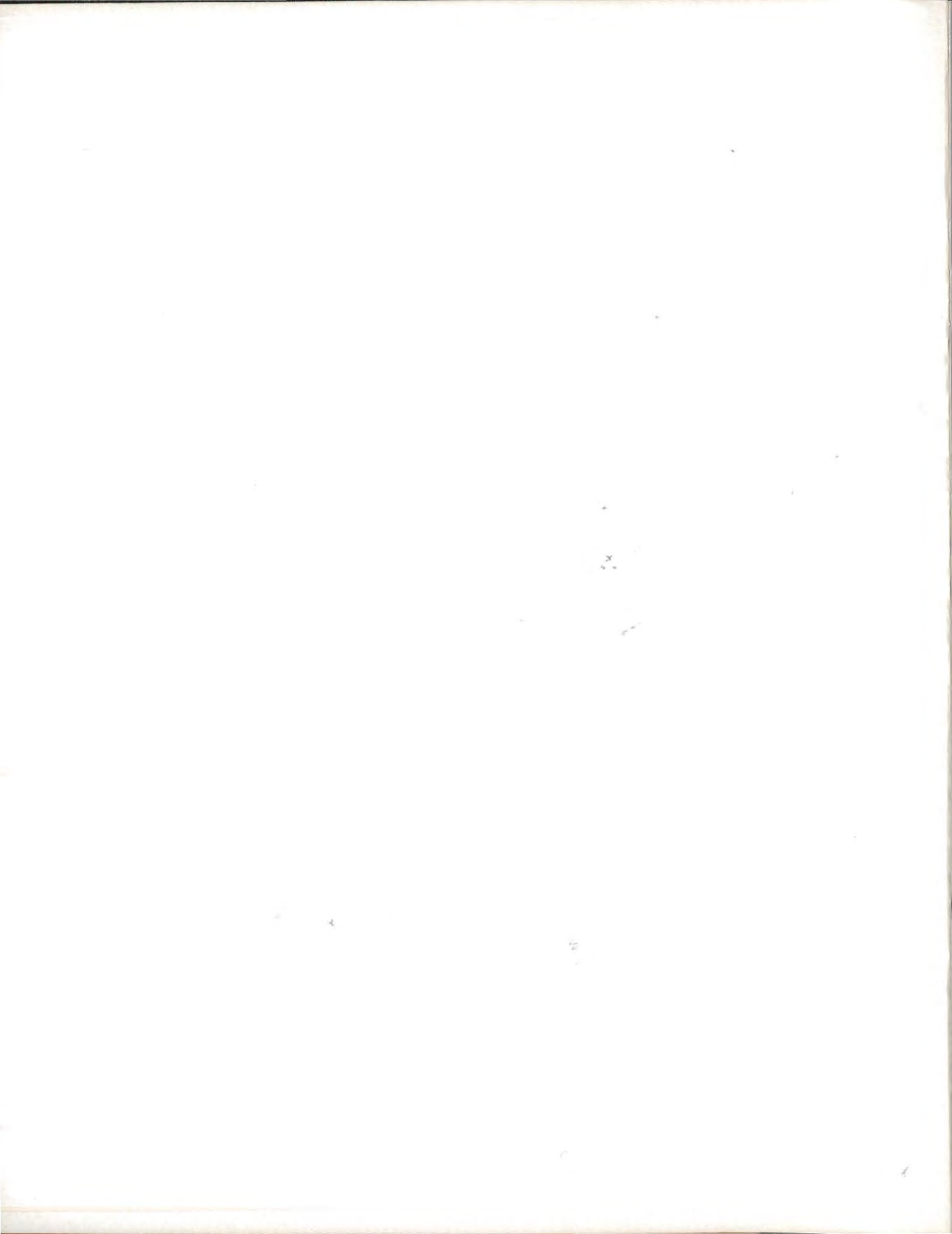
# NCUSIF Highlights



# Credit Union Highlights









# ANNUAL FINANCIAL REPORT

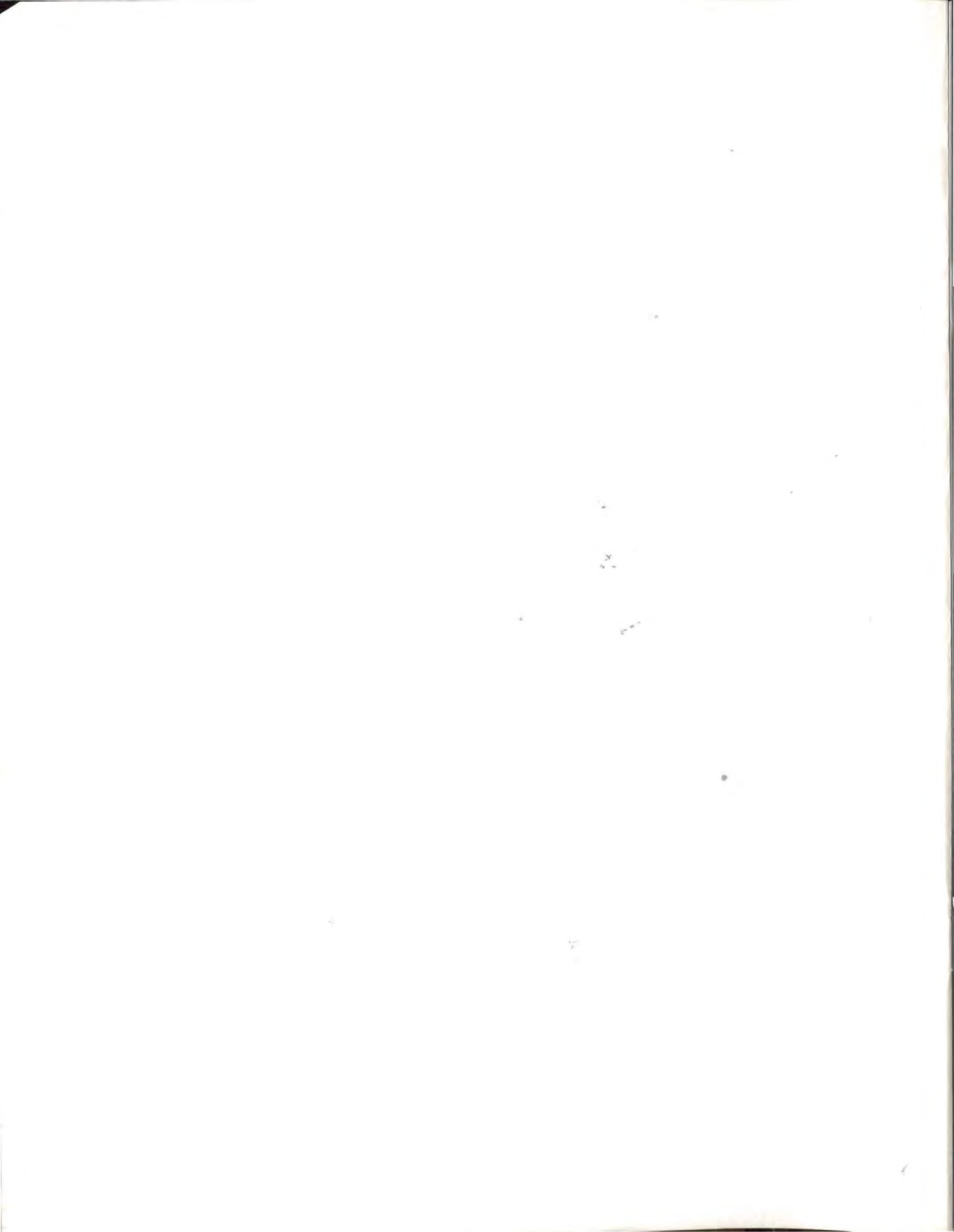
OF THE  
NATIONAL CREDIT UNION SHARE INSURANCE FUND

**FISCAL YEAR 1987**

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## MESSAGE FROM THE CHAIRMAN

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Fiscal Year 1987 presented new challenges to the National Credit Union Share Insurance Fund. Given the Fund's strength in reserves and equity, the NCUA Board felt the time was right to develop programs aimed at maintaining that strength.

Consequently, NCUA took major steps to improve the examination program and to protect the majority of credit unions from the abuses of a few. The agency hired many new, highly qualified examiners to supplement the staff already in the field. All examiners received a lap top computer and training in the new automated exam program. NCUA extended this training to many state examiners as well. The CAMEL rating system which debuted this year in place of the Early Warning System has proved to be both an improvement and a more consistent rating tool.

Evidence is already accumulating that both involuntary liquidations and assisted mergers declined during 1987, demonstrating the effectiveness of these changes. The NCUSIF continues to benefit from its recapitalization in 1985. The income generated from the Fund's investment portfolio covered all administrative and insurance costs while keeping the equity level close to the Board's goal of 1.30 percent. The Board waived the annual insurance premiums for the third



straight year, saving credit unions \$105 million in expenses. Although no dividend was declared for 1987, the insurance waiver amounted to an 8.3 percent return on each credit union's capital deposit.

In summary, 1987 was filled with challenges that sharpened our focus and honed our skills. We look forward to the challenges of tomorrow.

Sincerely,

*Roger W. Jepsen*

ROGER W. JEPSEN  
CHAIRMAN



## CREDIT UNION HIGHLIGHTS — 1987



*Chairman Jepsen testifying before Congress with other Federal regulators*

1987 was another stand out year of success for federally insured credit unions. The number of NCUSIF assisted mergers and involuntary liquidations were at their lowest point in many years. Credit union membership grew to 50 million, and public opinion surveys again found credit union members as being the most satisfied of all financial consumers.

In terms of statistics, credit unions once again outperformed their counterparts. At an annualized rate of 10 percent, credit union growth in deposits outpaced the 4.7 percent rate for bank domestic deposits, and the 4.1 percent rate for savings and loan institutions. This is the sixth straight year in which credit union deposits have grown more than 9 percent in a year.

The growth rate is even more remarkable in that credit unions lowered their dividend rates in 1987 to adjust to market conditions. The cost of funds for credit unions for the first six months of 1987 was about 6 percent, a drop of 100 basis points from 1986. By comparison, the cost of funds for banks, and savings and loan institutions for the

same period was 5.7 percent and 7.1 percent respectively.

Total credit union loans increased by an annualized rate of 11 percent as of June 30, 1987, while banks reported a 5.6 percent increase, and savings and loans reflected a decline in mortgages and other loans. Credit union delinquency on outstanding loans dropped to 2 percent, while banks reported delinquency of 4 percent, and savings and loans a rate of 6.2 percent.

Another indicator of the success of credit unions during 1987 is profitability. Credit unions were the only financial sector to report net positive earnings for the first half of 1987. Both banks and savings and loan institutions reported losses as of June 30th, while credit unions showed net income of about \$530 million for the same period.

Finally, credit unions have the highest ratio of reserves to assets compared to the other financial sectors. At June 30, 1987, the ratio of credit union reserves and undivided earnings to assets was 6.15 percent. The comparable ratios for banks and savings and loans were 6.02 percent and 4.40 percent respectively.



*Board Member Burkhart testifying before Senate Banking Committee*



# SUPERVISION OF FEDERALLY INSURED CREDIT UNIONS

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In 1987 the National Credit Union Administration made several important changes which were aimed at improving the efficiency of supervision of federally insured credit unions. The first and most important step made was the decision of the NCUA Board to hire an additional 200 examiners and to provide them the necessary training to do the job. Not only did the Agency revamp its New Examiner Training Program for the new examiners hired, but also expanded its technical training for the entire examiner staff. Providing effective training programs is critical to the overall goals of the Agency because, in order for staff to properly supervise credit unions and evaluate risk to the Insurance Fund, they must have a thorough understanding and knowledge of the issues involved.

In addition to increasing staff and providing better training, three important changes were made to the programs used to supervise federally insured credit unions. These changes were:

- Adoption of the Core Examination Program
- Development of the Automated Examination Program
- Conversion to the CAMEL Rating System

A joint task force of representatives from the National Credit Union Administration and the National Association of State Credit Union Supervisors developed the Core Examination Program. The Core Examination Program established a set of examination procedures and workpapers that focus on the review of the key financial and

operational areas in a credit union. These examination procedures have not only been adopted by the National Credit Union Administration, but also by a majority of the state regulatory agencies. As a result, the Core Examination Program has established better communications between federal and state regulators in the evaluation of safety and soundness in federally insured credit unions, and a process for regulators to deal with common problems being experienced by them when evaluating credit unions.

In addition to the NCUA Board's commitment to providing staff with the training they need to do their job, they have also committed to providing them with the tools to do the job better and more efficiently. To this end, the Agency purchased personal computers for staff and put into place a program designed to assist the examiner in getting full use of them. The first and most important phase of the Agency's PC Program was the automation of the Core Examination Program and providing staff training in the use of it. It is the NCUA Board's belief that the automation of the examination process will allow the examiner staff to perform more effective examinations and greatly reduce the time examiners spent completing the workpapers manually. This time savings will permit staff the extra time that is needed to be spent with the officials and management of the credit union to discuss and analyze the results of the examination and the credit union's operation and when necessary, spend the needed time to work with them to resolve weaknesses or problems.



The PC Program in the near future will allow examiners to: access information from the main computer system to assist them and credit unions in analyzing the credit union's operation while at the credit union; allow them to perform valuable financial projections and calculations to assist credit unions in the evaluation of their operations; and permit examiners to transmit credit union call report data directly to the Agency faster and accurately. The PC Program not only will benefit the examiners and the Agency in the supervision of credit unions, but ultimately will benefit the officials and management of federally insured credit unions from the results and performance of the programs developed for the system.

Since 1972 the National Credit Union Administration has been using the Early Warning Rating System (EWS) to assess the condition of federally insured credit unions. In January of this year the NCUA Board approved changing from the EWS Rating System to the CAMEL Rating System. In making this change the Board felt that the CAMEL Rating System provided a more accurate and clear assessment of a credit union's financial condition and operations and it clearly identifies to the credit union

the specific areas where weaknesses or problems exist. The system is also designed to provide uniformity to the ratings assigned because examiners will be using the same qualitative and quantitative measurements to assess the credit union's condition and performance no matter where the credit union is located, its type of membership or its asset size.

The CAMEL Rating System is based upon the evaluation of the five crucial dimensions that reflect in a comprehensive fashion the credit union's financial condition, compliance with credit union laws and regulations and overall operating soundness. The specific dimensions that will be evaluated are (1) Capital Adequacy, (2) Asset Quality, (3) Management, (4) Earnings, and (5) Liquidity.

Under the EWS Rating System only an overall rating was assigned to the credit union, but with the CAMEL Rating System, in addition to an overall rating, a rating is assigned to each of the five critical areas evaluated. Thus, as stated previously, the officials and management of the credit union have a clear understanding where they are or are not performing well.



*Left to Right: Office of Examination & Insurance Director D. Michael Riley, Insurance Director Dennis Winans, Supervision Director Tim Hornbrook, and Nick Veghts, Deputy Director, Office of Examination and Insurance*

# SCOPE OF INSURANCE COVERAGE

The National Credit Union Share Insurance Fund is the largest insurer of credit union shares. At December 31, 1986, NCUSIF insured credit unions held 96 percent of all credit union shares. The remaining 4 percent are insured by 11 state credit union or guaranty corporations which operate in 33

different states. Only 8 credit unions operated without some form of insurance coverage as of December 31, 1986. The following table summarizes the share insurance requirements of the 50 states and Puerto Rico.

## LAW REQUIRES PARTICIPATION IN INSURANCE PROGRAM OF NATIONAL CREDIT UNION ADMINISTRATION:

Alabama	Michigan	North Dakota
Arkansas	Minnesota	South Carolina
Connecticut	Mississippi	Vermont
Maine	Nebraska	Wisconsin

## LAW REQUIRES PARTICIPATION IN THE LOCAL SHARE INSURANCE PROGRAM:

Puerto Rico

## LAW REQUIRES PARTICIPATION IN EITHER THE NCUA PROGRAM OR SOME OTHER OFFICIALLY APPROVED INSURANCE PROGRAM:

Alaska	Kentucky	Oregon
Arizona	Louisiana	Pennsylvania
California	Maryland	Rhode Island
Colorado	Massachusetts	Tennessee
Florida	Missouri	Texas
Georgia	Montana	Utah
Hawaii	Nevada	Virginia
**Idaho	New Jersey	Washington
Illinois	New Mexico	West Virginia
Indiana	New York	
Iowa	North Carolina	
Kansas	Ohio	

## NO REQUIREMENT IN LAW ON SHARE INSURANCE

New Hampshire

\*Oklahoma

\* CU must disclose lack of insurance

\*\* CU members may vote to remain uninsured

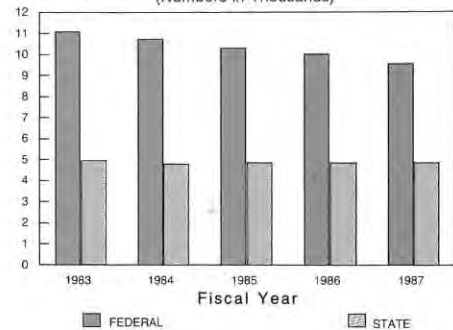


During fiscal year 1987, the number of federally insured credit unions declined by 269 to 14,520. Of this amount, 9,525 or 66 percent were federal credit unions, and the remaining 4,995 were state credit unions.

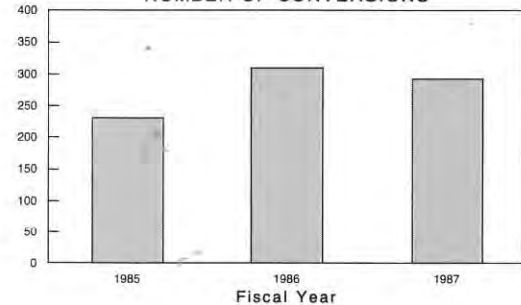
Credit unions continued to convert from private to federal insurance at a steady rate. During FY 87, 294 privately insured credit unions were approved for federal insurance compared to 309 for FY86. Most of these credit unions were from the states of Utah and Virginia where the share guaranty corporations voluntarily ceased operations. Since the capitalization of the Fund in 1985, 835 credit unions with insured shares of \$9 billion have converted to the NCUSIF.

Share growth in federally insured natural person credit unions is projected to be about 10 percent for the calendar year, increasing insured shares to \$147.5 billion at December 31, 1987. This is a 13 percent reduction from the 23 percent growth in 1986. Federal credit unions continue to hold almost two-thirds of all NCUSIF insured shares in natural person credit unions.

NUMBER OF FEDERALLY INSURED CREDIT UNIONS  
(Numbers in Thousands)



NUMBER OF CONVERSIONS



### Share Growth in NCUSIF-Insured Natural Person Credit Unions

(dollars in millions)

December 31	Shares Outstanding			Percentage Change from Prior Year-Total Shares
	Federal Credit Unions	State Credit Unions	Total	
1983	49,889	24,850	74,739	18.7
1984	57,927	26,327	84,254	12.7
1985	71,615	37,917	109,532	30.0
1986	86,709	47,476	134,185	22.5
<b>1987</b>	<b>103,500*</b>	<b>55,800*</b>	<b>159,300*</b>	<b>18.7*</b>

\*Estimated for 12/31/87

The actual changes in the number of federally insured credit unions are summarized below:

### Changes in NCUSIF-Insured Credit Unions

	Federal Credit Unions	Federally Insured State Credit Unions	Total
Beginning Number— 10/1/86	9,892	4,897	14,789
Additions:			
New Federal Charters	21	—	21
New State Charters with Federal Insurance Certificates	—	25	25
Conversions	21	294	315
Resumed Operations	29	5	34
Subtractions:			
Mergers:			
Assisted	36	19	55
Voluntary	344	145	489
Liquidations:			
Involuntary	23	9	32
Voluntary	16	12	28
Conversions	3	22	25
Other	16	19	35
Ending Number— 9/30/87	9,525	4,995	14,520
Net increase (decrease)	(367)	98	(269)



# FINANCIAL STATUS OF FEDERALLY INSURED CREDIT UNIONS

As reported earlier, the NCUA Board approved a change in the program used to assess the condition of federally insured credit unions from the Early Warning System (EWS) to the CAMEL Rating System effective October 1, 1987. All credit unions examined in fiscal year 1987 received an EWS rating. Under EWS a credit union's rating may range from a code 1 to a code 5 credit union based upon a evaluation of financial data derived from the annual examination, the financial performance report, and several other measurements of safety and soundness. The EWS classifications are as follows:

EWS Code 1 = Excellent  
 EWS Code 2 = Good  
 EWS Code 3 = Fair  
 EWS Code 4 = Weak  
 EWS Code 5 = Unsatisfactory

The following tables provide an analysis, by EWS code, of the number and percentage of shares of federally insured credit unions as of September 30, 1987.

Looking at EWS codes 4 and 5 in detail, there was an increase of 135 credit unions and \$1.5 billion in shares in those categories since 1986, however the percentage of shares has remained the same at 4.9 percent.

## Distribution of Federally Insured Credit Unions by Early Warning Systems (EWS) Categories

EWS Category	As of 9/30/83	As of 9/30/84	As of 9/30/85	As of 9/30/86	As of 9/30/87
Codes 1 & 2	11,030	10,718	10,736	10,010	9,133
3	3,909	3,772	3,553	3,985	4,458
4	995	782	681	716	838
5	129	90	61	78	91
Totals	16,063	15,362	15,031	14,789	14,520

## Percentage of Shares by EWS Category

EWS Category	As of 9/30/83	As of 9/30/84	As of 9/30/85	As of 9/30/86	As of 9/30/87
Codes 1 & 2	81.1%	81.9%	82.9%	79.0%	76.5%
3	13.0	13.4	13.2	16.1	18.6
4	5.4	4.2	3.6	4.7	4.7
5	.5	.5	.3	.2	.2
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

## Summary of EWS Code 4 and 5 Credit Unions

	9/30/86	9/30/87
Number of Code 4 and 5 credit unions	794	929
Percentage of insured credit unions	5.4%	6.5%
Shares in Code 4 and 5 credit unions	\$6.6 Billion	\$8.1 Billion
Percentage of Shares in All insured credit unions	4.9%	4.9%



# ASSISTANCE TO OPERATING CREDIT UNIONS

Management of the National Credit Union Share Insurance Fund requires an effective program to minimize loss exposure and risk to the Fund. Loss exposure and risk exist under even the most favorable conditions and no amount of regulatory or supervisory effort will completely eliminate this uncertainty. Changing economic conditions, weak management and other causes result in financially troubled credit unions which represent potential losses to the Fund. The ultimate goal of the Fund is to minimize these potential losses. In order to accomplish this goal, the Agency can extend various types of assistance. Assistance is considered in cases where normal supervision efforts and the resources of the credit union itself are insufficient to restore the credit union's financial health within a reasonable period of time. The use of assistance is considered only in cases where the causes of the credit union's problem(s) have been corrected and the resulting institution is viable without the continuing need for assistance.

Credit unions receiving assistance generally represent credit unions which would have failed without such assistance. Although the number of credit unions receiving assistance is relatively small, the risk which they represent to the Fund is significant. The return of these credit unions to profitable, self-sustaining operations is central to the successful use of assistance by the Fund. As of October 1, 1986, 30 credit unions were receiving assistance from the Fund. Of these, 14 were able to repay their assistance within the year and are now operating profitably on their own. Only 7 new assistance cases were added during this fiscal year.

## FINANCIAL ASSISTANCE

The Fund provides two major categories of financial assistance to financially troubled

credit unions — cash and non-cash. Non-cash assistance is also referred to as guaranty account assistance. Both types of assistance are authorized by Section 208 of the Federal Credit Union Act as "... special assistance to avoid liquidation." As of September 30, 1987, there were 16 credit unions with shares totalling \$750.2 million receiving assistance from the Fund.

## NON-CASH OR GUARANTY ACCOUNT ASSISTANCE

The most frequently used type of assistance from the Fund to operating credit unions has been Prior Period Undivided Earnings Deficit-NCUSIF Guaranted (Guaranty Accounts). This type of assistance represents a recognition by the Fund that the credit union is operating with a negative net worth. Although the credit union is technically insolvent when the assistance is granted, it is usually expected to return shortly to profitability. The Fund does not issue Guaranty Accounts to credit unions that have no chance of eventually returning to solvency. The issuance and subsequent amortization or reduction of Guaranty Accounts are strictly non-cash transactions.

Guaranty Account assistance usually involves circumstances where the credit union has incurred or recognized substantial losses that cannot be absorbed by the earnings from the current accounting period. Losses from investment trading or commercial loan ventures have been the most frequent causes of this type of situation in recent times. The issuance of the Guaranty Account allows the credit union to continue operating and paying dividends while it works to eliminate the negative net worth created by those losses.



Guaranty Accounts do not change the numbers on a credit union's financial statements. The net worth section of its balance sheet is clearly identified and footnoted to indicate the amount of the negative net worth acknowledged by the Fund through

the granting of the Guaranty Account. This does not cause the credit union's assets to be overstated or its negative net worth to be understated. Consequently, Guaranty Accounts lead to a full and fair disclosure of a credit union's financial condition.

The tables below set out the Fund's Guaranty Account activity during the 1987 fiscal year.

### CHANGE IN NCUSIF GUARANTY ACCOUNTS OUTSTANDING

(amounts in thousands)

#### Guaranty Accounts Outstanding—

September 30, 1986 (28 cases)	\$39,911
-------------------------------	----------

#### Increases

7 credit unions needed initial assistance	4,905
4 credit unions needed additional assistance	6,449

#### Decreases

6 credit unions merged/liquidated	(2,099)
14 credit unions completed amortization of guaranty	(8,272)
Guaranty reduction in outstanding cases	(1,330)

#### Guaranty Accounts Outstanding—

September 30, 1987 (15 cases)	\$39,564
-------------------------------	----------

### GUARANTY ACCOUNTS OUTSTANDING BY TYPE OF CREDIT UNION AS OF SEPTEMBER 30, 1987

	Number	Amount Outstanding (000's)
Federal Credit Unions	8 (53%)	\$ 3,561 (9%)
Federally Insured State Credit Unions	7 (47%)	36,003 (91%)
<b>Totals</b>	<b>15</b>	<b>\$39,564</b>

Any type of assistance from the Fund is granted on a conditional basis. The problems that resulted in the losses or need for the assistance must be immediately addressed and corrected. Action must also be taken to improve the credit union's operations and financial performance. Almost all Guaranty Accounts are amortized on a predetermined schedule negotiated between Agency staff and the credit union. The amortization schedule reflects profit improvement goals the credit union's directors and management are committed to achieving.

During fiscal year 1987, several of the Fund's larger problem credit unions that had had Guaranty assistance for several years were able to completely eliminate their assistance and returned to solvency. There were fourteen of these credit unions which eliminated over \$8.2 million of Guaranty assistance. The return to solvency of these credit unions reflects the dedication of the credit union and Agency personnel who worked diligently to resolve the credit unions' problems. It is also a clear indication of the success of the Fund's assistance programs. Unfortunately, credit unions continue to encounter new types of problems, particularly in the area of losses from commercial loan ventures. Eleven credit unions needed initial or additional Guaranty assistance totalling over \$11.3 million.

## CASH ASSISTANCE

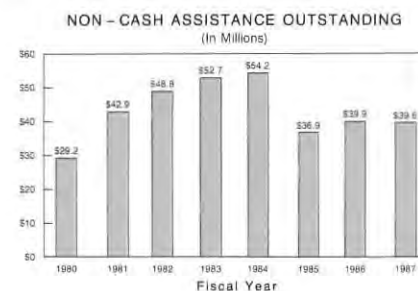
The Fund can also provide various types of cash assistance to troubled credit unions to aid in their return to financial health. Capital Notes have constituted the bulk of this assistance in recent years. Under this program, cash is advanced to a credit union in exchange for a subordinated note that is usually interest free. The primary intent of this cash infusion is to improve the credit union's income position by allowing it to acquire income-producing assets to offset the impact of non-earning assets or accumulated losses. Capital Notes contain specific repayment schedules that reflect the earnings improvement projected for the credit union.



As of September 30, 1987, the Fund held \$5.0 million of Capital Notes from four credit unions. This is down from \$20.3 million at the beginning of the fiscal year. During the year, six credit unions completely repaid their Capital Notes totalling \$16.2 million. Another credit union reduced its Capital Note balance by \$1.1 million. One credit union received new Capital Notes for \$2.0 million.

The Fund occasionally provides assistance by extending an interest-bearing loan to a less troubled credit union or by placing a share deposit in it. At the beginning of the fiscal year, there was \$2.1 million in this type of cash assistance outstanding. As of September 30, 1987, there were no share deposits or loans outstanding.

The Fund has also extended a combination of guaranty assistance and cash funding to a couple of credit unions that were severely impaired by their heavy involvement in commercial loan ventures that went bad. The Guaranty assistance allowed the credit unions to continue operating while the cash funding aided in the disposition of the non-performing loans or repossessed property. In each of these cases, there was also a major restructuring of the credit union's management and operational structures.





# NATIONAL CREDIT UNION SHARE INSURANCE FUND

## FINANCIAL REVIEW

In 1987, the NCUSIF implemented several procedural changes which significantly enhanced the Fund's operational and cash management areas. For the first time, a precalculated invoice was used to bill credit unions their one percent capitalization deposit adjustment. Using the share and asset amounts reported on the June 30, 1986 Midyear Financial and Statistical Report, a computer program was developed which generated a preprinted invoice for both the deposit adjustment and operating fee due in January. As a result, the number of deposit discrepancies and administrative time spent for correction declined considerably.

The Fund also selected a new bank lockbox to process the 1987 deposit remittances. In accordance with the lockbox agreement negotiated, the standard collection periods for out of state payments were waived, and the NCUSIF received almost immediate credit for the \$142 million in capitalization deposit adjustments processed. Through this arrangement, the Fund earned thousands of dollars in additional investment income than it would have under the previous lockbox arrangement.

The Fund continued to take advantage of its Resource Sharing program in 1987. Experts in agricultural and commercial lending fields were contracted by the NCUSIF to provide "hands on" experience to several large credit unions experiencing potential significant losses in these areas. In the case of the HYFIN credit union merger, which is discussed later in some detail, real estate experts were contracted to help appraise and sell the numerous properties acquired in the merger. As in previous years, the NCUSIF continued to use loan management and collection organizations to process loans acquired from liquidations. Through the use of this type of "expert" assistance, the Fund saved millions in liquidation and merger costs, and improved the flow of cash into the Fund.

For the third straight year, the NCUSIF waived the annual insurance premium, paid all administrative and insurance costs through its interest income, and maintained the Fund equity level at approximately 1.30 percent. The NCUA Board's waiver of the 1987 premium saved credit unions \$105 million in operating expense. Three years of premium waivers have saved credit unions \$265 million in expense.

The Fund's independent auditors, Price Waterhouse, gave the NCUSIF its fourth consecutive unqualified audit opinion for the period ending September 30, 1987. The audited financial statements and accompanying footnotes follow this section.

### Total Income

Total income for 1987 was \$112.7 million, an \$8.7 million reduction from 1986. The decrease in income is attributed to the continued decline in interest rates which has occurred during the past several years. At September 30, 1986, the yield on the Fund's portfolio was 8.29 percent. By the end of fiscal year 1987, the yield had dropped 118 basis points to 7.11 percent. As a result, interest income on investments declined 7% to \$112.4 million for the year. The average yield on the Fund's investments for 1987 was 7.44 percent compared to 9.35 percent for 1986.



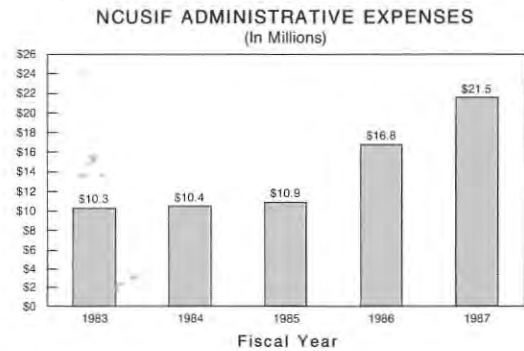
By law, NCUSIF investments are limited to direct obligations of the US Treasury or securities guaranteed by the United States as to both principal and interest. At year end, 76% of the Fund's investments had maturities of two years or less.

Other income which totaled less than 1% of total revenue was comprised of mostly fee income from conversions to the Fund. Had the NCUA Board voted to assess the 1987 insurance premium, an additional \$105 million in premium income would have been added to total revenue.

### Administrative Costs

Administrative costs rose \$4.6 million in 1987 to \$21.5 million. This increase was a result of the NCUA Board's commitment to update many of the Agency's programs and operations through the use of computers. Their cost and related training compensated for most of the increase in administrative costs.

Since FY 85, all administrative costs of the Fund are paid through an overhead transfer allocation. The NCUSIF transfers cash to the Operating Fund to cover a percentage of the total administrative costs of the Agency for a fiscal year period. This percentage, set by the NCUA Board, remained



at 50 percent for 1987, and was substantiated by a study which found that approximately 60% of an examiner's time is spent on insurance activities. For the past five years, the amount of administrative costs, both direct and allocated are shown below:

### Insurance Fund Administrative Costs

(amounts in thousands)

Fiscal Year	1983	1984	1985	1986	1987
Direct Expenses	\$2,395	\$2,353	\$2,858	\$0	\$0
Allocated Expenses	7,920	8,173	8,069	16,822	21,466
Total Operating Expenses	\$10,315	\$10,426	\$10,927	\$16,822	\$21,466
% of NCUA Total Operating Expenses	33.2%	32.5%	33.8%	50.0%	50.0%



## Insurance Losses

Insurance losses for 1987 were \$55.7 million, up \$18 million over 1986. The Fund's insurance losses are reflected when reserves are established for anticipated future losses which may result from those credit unions which pose the greatest risk to the Fund. These are credit unions which have an Early Warning System (EWS) code of 4 or 5. These credit unions are divided into two categories for the purposes of evaluation. Those having insured shares of \$10 million or greater are reviewed on a case by case method by both Regional and Washington Office staff. An agreeable estimate of loss is determined and recorded as a NCUSIF

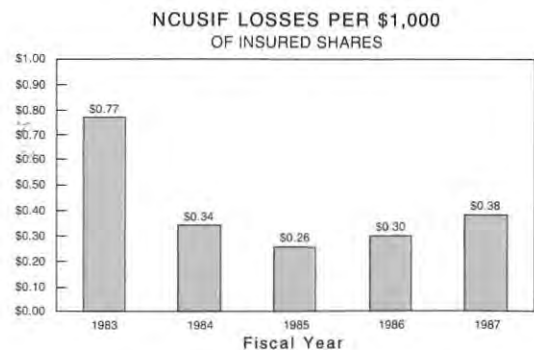
liability in the form of a reserve. All remaining EWS code 4 & 5 credit unions are pooled and a historical loss factor of the Fund is applied to their total insured shares. The amount derived from this process is also established as a Fund reserve. The reserves established for both categories are reviewed for adequacy at year-end by the Fund's independent auditors. In some cases, they may make an on-site visit to a problem credit union for further assessment. The table below shows the changes in the reserve accounts, and the corresponding amount of insurance losses for the past three operating periods.

### Summary of Reserves Established for Potential Losses from Supervised Credit Unions

(amounts in thousands)

	Fiscal Year		
	1985	1986	1987
Reserves—Beginning of Fiscal year (October 1):	\$45,700	\$47,400	\$48,600
Net Charges for Fiscal Year	(23,772)	(36,664)	(51,111)
Provision for Insurance Losses	25,472	37,864	55,732
Reserves—End of Fiscal Year (September 30):	\$47,400	\$48,600	\$53,221

Insurance losses per \$1,000 of insured shares have decreased significantly since 1982. In 1982, the NCUSIF lost \$1.28 per every \$1,000 of insured shares. For fiscal year 1987, this loss was \$.38. Much of this improvement has emerged from enhancements to the examination and supervision program implemented within the past several years.



Approximately 80 percent or \$44.1 million of this year's insurance losses were from federally insured state chartered credit unions, compared to 84 percent for last year. Of the \$55.7 million in total losses, approximately \$21 million was from insider dealing in six credit unions having insured shares greater than \$10 million.

## Net Income

Net income for fiscal year 1987 was \$35.5 million. Had an insurance premium been assessed for the year, an additional \$105 million would have been added to net income. All net income earned was allocated towards the Fund's operating goal of 1.30 percent.

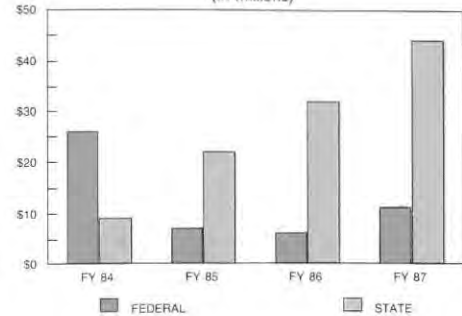
## Equity

Equity of the Fund grew \$191 million during fiscal year 1987 to \$1.6 billion. The increase in equity came from the following components:

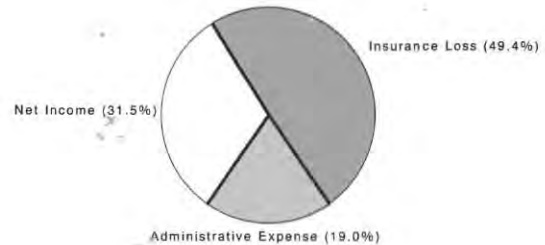
- \$35.5 million in net income.
- \$13.4 million in capitalization deposits from converting credit unions.
- \$141.9 million increase in deposits due to credit union share growth.

At September 30, 1986, the Fund's equity ratio or operating level was 1.24 percent. From October 1986 through June 1987, the ratio gradually increased through the addition of net income to retained earnings and attained a level of 1.28 percent at June 30, 1987, the end of the 1987 insurance year. Since the 1988 insurance year began July 1, 1987 and a new insured share base was used for the equity calculation, the ratio has fallen back to 1.23 percent and has remained at that level through September 30, 1987. At the end of June 1988, projections show the equity ratio to be at the 1.28 - 1.29 percent range.

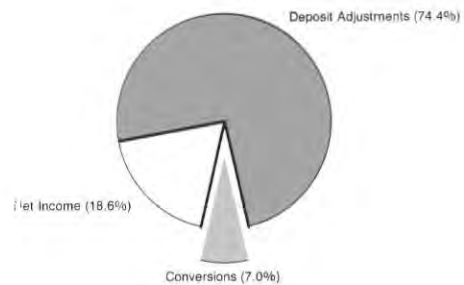
INSURANCE LOSS  
(In Millions)



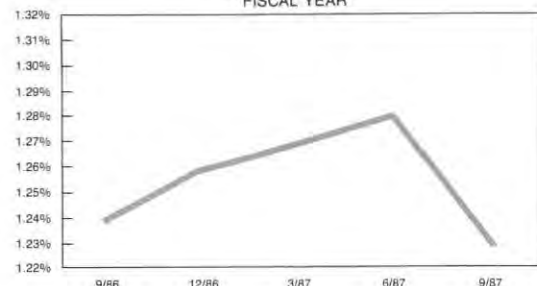
INCOME AND EXPENSE  
Fiscal Year 1987



GROWTH IN EQUITY



EQUITY RATIO  
FISCAL YEAR





# MERGERS, LIQUIDATIONS, AND PURCHASE & ASSUMPTIONS

## Mergers

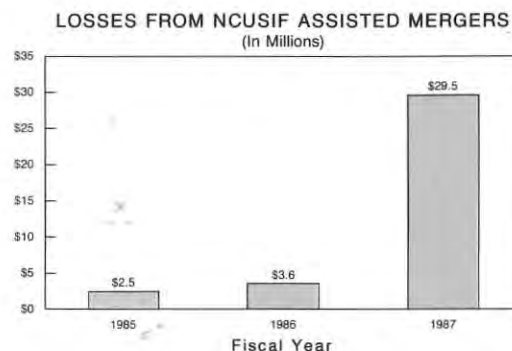
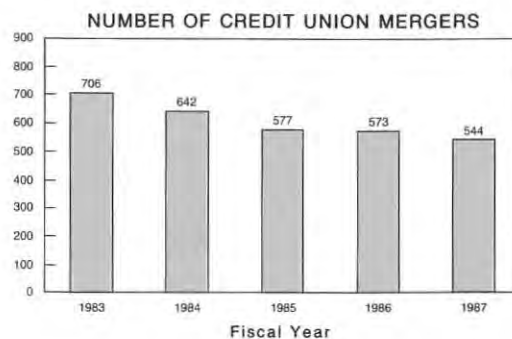
The total number of completed mergers for fiscal year 1987 was 544 compared to 573 in 1986. Of this amount, 55 required assistance and will end up costing the NCUSIF approximately \$30 million. The type of assistance provided was either in the form of an asset guarantee contract or a shorter term cash assistance agreement. The remaining 489 mergers were consummated without any assistance from the Fund.

The largest merger in the Fund's history occurred in October, 1986 when HYFIN Credit Union merged into Municipal Credit Union. The directors and officers of HYFIN Credit Union were involved in a sophisticated scheme of insider dealing and fictitious loans. Estimates of net loss on the merger are about \$24 million. The NCUSIF has disbursed over \$50 million in cash in accordance with the terms of the merger agreement, and expects to recover approximately \$25 million from the sale of assets acquired and from cash settlements with the principals involved. As of September 30, 1987, the Fund had recovered \$7.5 million on this merger.

The following table summarizes the assisted merger activity for fiscal year 1987.

### ASSISTED MERGERS FISCAL YEAR 1987

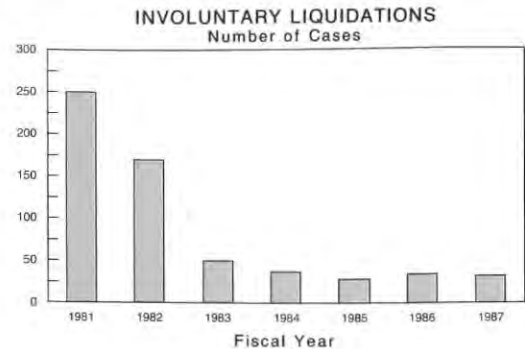
Acquired Credit Union Acquiring Credit Union	Date Approved	Shares in Acquired Credit Union	Estimated NCUSIF Loss	Loss as Percentage of Shares
Mergers with Losses over \$350,000:				
Hyfin Credit Union				
Municipal Credit Union	10/30/86	\$80,000,000	\$24,000,000	30.0%
Colt Employees FCU				
Central Conn. Teachers FCU	3/1/87	1,343,922	750,000	55.8%
Utah Energy CU				
Utah Central CU	8/17/87	3,569,098	570,000	16.0%
Porter County Farm Bureau CU				
Teachers Credit Union	2/27/87	5,230,502	425,000	8.1%
Hoag Hospital MSC FCU				
Newport Mesa FCU	7/31/87	4,342,447	398,008	9.1%
All Other Assisted Mergers	—50 Cases	52,505,792	3,379,768	6.4%
Totals—55 Cases		\$146,991,761	\$29,522,776	20.0%



## Liquidations

There are two types of federally insured credit union liquidations: voluntary and involuntary. The first type, voluntary, occur at no cost to the Fund; the credit union's own reserves cover its liquidation costs. The second type, involuntary, involve cash outlays from the NCUSIF to cover member share payouts and other liabilities of the credit union.

In 1987, there were 33 involuntary liquidations in which the estimated loss to the Fund was \$13.2 million. This is a \$9 million reduction from fiscal year 1986. Of these 33 cases, 11 went on to become purchase & assumptions and are discussed later. The following tables summarize the liquidation activity for fiscal year 1987 and for the past six years.



As reflected in the above table, the Fund's largest liquidation loss for the year of \$3.1 million was from New American Federal Credit Union. This credit union liquidated as a result of an unsound loan to lender program.

### Involuntary Liquidations: Fiscal Year 1987

Liquidated Credit Union	Date of Liquidation	Shares Outstanding When Credit Union Closed	NCUSIF Loss	Loss as Percentage of Shares
<b>Liquidations with Losses Over \$100,000:</b>				
Scott County Canco FCU	10/31/86	\$8,796,948	\$730,000	8.3%
Norge Herrin CU	11/12/86	1,718,352	414,201	24.1%
Holy Ghost FCU	12/29/86	1,209,317	337,351	27.9%
Groceries & Food Services FCU	02/24/87	2,844,075	429,648	15.1%
Morrisville CU	03/27/87	849,027	437,537	51.5%
Cameron Community FCU	04/14/87	533,028	207,565	38.9%
Craven County FCU	04/27/87	2,436,505	139,830	5.7%
North Greenmount FCU	07/07/87	1,042,952	820,227	78.6%
West River Savings CU	07/15/87	4,580,000	1,376,204	30.0%
St. Francis Comm. Dev. FCU	07/31/87	1,931,997	301,051	15.6%
New American FCU	08/26/87	50,097,355	3,054,084	6.1%
American Law Enforcement CU	09/11/87	13,191,471	1,352,504	10.3%
Grant & Ross Township FCU	09/30/87	14,992,245	3,000,000	20.0%
All Other Involuntary Liquidations (20)		75,872,354	564,889	0.7%
<b>Total — 33 Cases</b>		<b>\$180,095,626</b>	<b>\$13,165,091</b>	<b>7.3%</b>



## Involuntary Liquidations: Six-Year History

Fiscal Year	1982	1983	1984	1985	1986	1987
Number of Involuntary Credit Union Liquidations Commenced	160	50	38	31	36	33
Number of Shareholders Paid Shares Paid (Thousand) (1)	72,331	21,614	21,623	12,641	9,152	8,216
Percentage of Shares Paid to Total Shares in NCUSIF-Insured Credit Unions	\$39,892	\$9,954	\$34,840	\$15,499	\$22,168	\$3,213
Average Payout Per Credit Union Liquidated (Thousands)	0.058%	0.012%	0.039%	0.014%	0.020%	0.002%
	\$249.3	\$199.1	\$916.8	\$500.0	\$615.8	\$97.4

(1) Does not include Purchase and Assumptions

During fiscal year 1987, 19 involuntary liquidation cases were closed. Some of these cases involved credit unions which had entered liquidation prior to 1987. The Fund recovered approximately 87 percent of its expenditures through the sale of the assets of these 19 credit unions. The average

closed case had insured shares of \$242,000 at the time the credit union closed, which equals about 2 percent of the average credit union's total shares. The following tables summarize liquidation recovery activity for the past five years.

## Liquidation Recoveries Cases Closed During Fiscal Year 1987

	Number of Credit Unions	Shares When Credit Union Closed (Millions)	Total Recoveries (Millions)	Recovery Percentage
Federal Credit Unions	10	\$2.4	\$2.0	83.3%
NCUSIF-Insured State Credit Unions	9	\$2.2	\$2.0	90.9%
Totals	19	\$4.6	\$4.0	87.0%

## NCUSIF Liquidation Recovery History

Fiscal Year in Which Case Closed	Recovery Percentages			Net Loss in Closed Cases (Millions)
	Federal Credit Unions	State Credit Unions	All Cases	
1983	74.1%	32.4%	66.4%	\$20.1
1984	66.9%	72.0%	67.3%	\$10.9
1985	72.0%	20.0%	66.3%	\$ 3.1
1986	49.4%	87.5%	57.9%	\$ 5.1
1987	83.3%	90.9%	86.9%	\$ 1.4

### Purchase & Assumptions

As mentioned earlier, a purchase & assumption (P&A) transaction initially begins as an involuntary liquidation. However, not all the assets are acquired by the Fund, and those not acquired, along with the shares of the liquidating credit union, are usually transferred or merged into another federally insured credit union. Thus a P&A transaction contains elements of both involuntary liquidation and merger. P&A's are generally

less costly than involuntary liquidations, but more costly than mergers. The Fund usually provides some form of cash assistance to the acquiring credit union to facilitate the P&A transaction.

There were eleven P&A transactions which were assisted by the NCUSIF for fiscal year 1987. The following table summarizes those eleven transactions.

### PURCHASE AND ASSUMPTION CASES FISCAL YEAR 1987

Assuming Credit Union Liquidating Credit Union	Date Approved	Shares in Liquidating Credit Union	NCUSIF Loss	Loss As Percentage of Shares
Denali FCU				
Alaska Teamsters FCU	10/3/86	\$13,703,999	\$5,923,143	43.2%
Scott County Canco FCU				
Cummins Employees FCU	11/13/86	8,796,948	1,846,304	21.0%
Hinds County Educ. FCU				
Holy Ghost FCU	3/9/87	1,209,317	337,351	27.9%
St. Louis Teachers CU				
Missouri Pacific FCU	12/22/86	5,290,654	289,658	5.5%
Prince William Educ. Assoc. FCU				
Fairfax School Empls. FCU	6/13/87	1,019,582	224,470	22.0%
All Other Assisted P&As— 6 Cases		7,921,452	437,081	5.5%
<b>TOTALS — 11 Cases</b>		<b>\$37,941,952</b>	<b>\$9,058,007</b>	<b>23.9%</b>



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## FINANCIAL REPORTING PRACTICES

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The NCUSIF has now completed five years of full accrual accounting under Generally Accepted Accounting Principles (GAAP). GAAP accounting for any insurance program requires adequate estimates, or balance sheet reserves, for known and anticipated losses. Deposit insurance accounting under GAAP requires two such estimates: One anticipates future cash outlays under guarantees issued when credit unions are merged with assistance or their assets are sold to third parties. The other reserve anticipates future losses from problem credit unions, i.e., those currently classified as "weak" or "unsatisfactory."

Future losses from problem credit unions is the harder loss to estimate. However, an accurate estimate of future losses, based on historical data and case-by-case reviews, will fairly disclose losses that should be recognized today. The confidence credit union members can place in the Fund is directly related to the ability of its management to identify and control those losses.

The Fund's adherence to GAAP is unique among the federal deposit insurers. Compliance with GAAP also goes beyond the Fund's Congressional reporting requirements and General Accounting Office auditing standards. Moreover, the increased financial disclosure required by GAAP strengthens the reliance which can be placed upon the Fund's financial statements. To reinforce this reporting standards, the Fund has retained Price Waterhouse, an international accounting firm, to audit the Fund's financial statements, including its loss estimates. Price Waterhouse's unqualified opinion on the Fund's financial statements is shown in full in this report.

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## **Board of Directors National Credit Union Administration**

In our opinion, the financial statements appearing on pages 22 to 28 of this report present fairly the financial position of the National Credit Union Share Insurance Fund at September 30, 1987 and 1986 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Standards for Audit of Government Organizations, Programs, Activities and Functions*, issued by the U.S. Comptroller General in 1981, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.



PRICE WATERHOUSE

Washington, D. C.  
November 13, 1987



**NATIONAL CREDIT UNION SHARE INSURANCE FUND  
BALANCE SHEETS**

September 30,

	1987	1986
<b>Assets</b>		
Investments (Notes B and E)	\$1,595,809,668	\$1,398,007,545
Advances to insured credit unions:		
Non-interest bearing capital notes	5,031,228	20,338,657
Share deposits		2,057,081
	5,031,228	22,395,738
Assets acquired in assistance to insured credit unions:		
Liquidating and acquired credit union assets	76,357,080	31,122,969
Receivers certificate		470,956
Allowance for losses on acquired assets	(20,378,000)	(1,500,000)
	55,979,080	30,093,925
Cash	5,390,829	67,255
Accrued interest receivable	32,996,462	22,011,193
	\$1,695,207,267	\$1,472,575,656

**Liabilities and Fund Capitalization**

Due to NCUA-Operating Fund (Note G)	\$ 2,478,899	\$ 929,350
Amounts due to insured shareholders of liquidated credit unions	34,071,129	7,967,949
Estimated losses from supervised credit unions (Note C)	53,221,000	48,600,000
Estimated losses from asset and merger guarantees (Note C)	3,041,000	3,273,000
Other liabilities	144,733	414,615
	92,956,761	61,184,914
Fund capitalization		
Accumulated contributions from insured credit unions (Note D)	1,263,991,374	1,108,679,220
Insurance fund balance	338,259,132	302,711,522
	1,602,250,506	1,411,390,742
Total liabilities and fund capitalization	\$1,695,207,267	\$1,472,575,656

The accompanying notes are an integral part of these financial statements.



**NATIONAL CREDIT UNION SHARE INSURANCE FUND  
STATEMENTS OF OPERATIONS**

	Year ended September 30,	
	1987	1986
Revenue		
Interest income	\$112,406,501	\$121,079,440
Other income	339,285	346,414
Total revenue	112,745,786	121,425,854
Expenses		
Administrative expenses (Note G)		
Employee wages and benefits	14,070,748	11,467,382
Travel expense	2,894,044	1,852,979
Rent, communications, and utilities	1,833,044	1,775,370
Contracted services	867,486	749,387
Other administrative	1,800,854	976,818
Total administrative expenses	21,466,176	16,821,936
Provision for insurance losses	55,732,000	37,864,000
Total expenses	77,198,176	54,685,936
Excess of revenue	\$ 35,547,610	\$ 66,739,918

The accompanying notes are an integral part of these financial statements.

**NATIONAL CREDIT UNION SHARE INSURANCE FUND  
STATEMENTS OF INSURED CREDIT UNION ACCUMULATED  
CONTRIBUTIONS AND FUND BALANCE**

	Insured Credit Union Accumulated Contributions	Fund Balance
Balance at September 30, 1985	\$ 883,384,003	\$235,971,604
Contributions from insured credit unions	225,295,217	
Excess of revenue		66,739,918
Balance at September 30, 1986	\$1,108,679,220	\$302,711,522
Contributions from insured credit unions	155,312,154	
Excess of revenue		35,547,610
Balance at September 30, 1987	\$1,263,991,374	\$338,259,132

The accompanying notes are an integral part of these financial statements.



## NATIONAL CREDIT UNION SHARE INSURANCE FUND STATEMENTS OF CHANGES IN FINANCIAL POSITION

Year ended September 30,

	1987	1986
Cash and investments were provided by:		
Operations:		
Excess of revenue over expenses	\$ 35,547,610	\$ 66,739,918
Charge (credits) to revenue or expenses not affecting cash and investments:		
Provision for insurance losses	55,732,000	37,864,000
Accrued interest receivable	(10,985,269)	(2,571,841)
Payments relating to losses from supervised credit unions and asset and merger guarantees, net	(51,343,000)	(35,591,000)
Decrease (increase) in:		
Advances to credit unions	17,364,510	10,870,517
Assets acquired from credit unions, net	(25,885,155)	(14,646,543)
Other assets		176,332
Increase (decrease) in:		
Due to NCUA-Operating fund	1,549,549	579,424
Amounts due to insured shareholders of liquidated credit unions	26,103,180	(1,507,383)
Other liabilities	(269,882)	46,130
	47,813,543	61,959,554
Other sources of cash and investments		
Increase in contributions from insured credit unions	155,312,154	225,295,217
	203,125,697	287,254,771
Cash and investments were used for:		
Dividends paid		(29,509,140)
	203,125,697	257,745,631
Increase in cash and investments		
Cash and investments at beginning of year	1,398,074,800	1,140,329,169
	\$1,601,200,497	\$1,398,074,800
Cash and investments at end of year		
Composed of:		
Cash	\$ 5,390,829	\$ 67,255
Investments	1,595,809,668	1,398,007,545
	\$1,601,200,497	\$1,398,074,800

The accompanying notes are an integral part of these financial statements.



# NATIONAL CREDIT UNION SHARE INSURANCE FUND

## NOTES TO FINANCIAL STATEMENTS

### SEPTEMBER 30, 1987

#### **Note A — Organization and Purpose**

The National Credit Union Share Insurance Fund (the Fund) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) which was amended in 1984 by Public Law 98-369 as discussed in Note D. The Fund was established as a revolving fund in the Treasury of the United States under the management of the National Credit Union Administration (NCUA) Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is \$100,000 per shareholder.

NCUA exercises direct supervisory authority over federal credit unions and coordinates any required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semiannual basis and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the fund in continuing their operations if the difficulties are considered by the Fund to be temporary or correctible. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is determined to be infeasible, a merger partner may be sought. If the assistance or merger alternatives are not considered practical, the credit union is liquidated.

The first form of special assistance are waivers of statutory reserve requirements, whereby the credit union is permitted to

cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the Fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not considered practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are at times guaranteed to third-party purchasers by the Fund.

#### **Note B — Significant Accounting Policies**

##### **Investments**

Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Investments are stated at cost adjusted for amortization of premium and accretion of discount.

##### **Advances to Credit Unions**

The Fund provides cash assistance in the form of non-interest bearing capital notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing operations.



### Assets Acquired from Credit Unions

The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. In addition, to assist in the merger of credit unions, the Fund may purchase certain credit union assets. Such assets acquired are recorded at their estimated net realizable value.

### Insurance Premium Revenue

Through fiscal year 1986, the Fund could assess each insured credit union a regular annual premium of 1/12 of 1% of member share deposits (insured member share deposits in the case of corporate credit unions) outstanding as of December 31 of the preceding year. Effective for fiscal year 1987, insurance premiums may be assessed on member share deposits outstanding as of June 30 (as opposed to December 31) of the preceding fiscal year. The NCUA Board waived the 1986, 1987 and 1988 share insurance premium.

### Income Taxes

The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

Beginning balance  
Provision for insurance losses  
Insurance losses and transfers  
to the allowance for losses on  
acquired assets  
Recoveries  
Ending balance

### Note C — Provision for Insurance Losses

Management identifies credit unions experiencing financial difficulty through the supervisory and examination process. The estimated losses from these supervised credit unions are determined by management based on a case-by-case evaluation.

In exercising its supervisory function, the Fund at times will extend guarantees of assets (primarily loans) to third party purchasers or to credit unions to facilitate mergers; such guarantees totaled \$5,572,000 and \$4,900,000 at September 30, 1987 and 1986, respectively. The estimated losses from asset and merger guarantees are determined by management based on a case-by-case evaluation.

The activity in the reserve for estimated losses from supervised credit unions and asset and merger guarantees for the years ended September 30, 1987 and 1986 was as follows:

	Years ended September 30,	
	1987	1986
Beginning balance	\$51,873,000	\$49,600,000
Provision for insurance losses	55,732,000	37,864,000
Insurance losses and transfers to the allowance for losses on acquired assets	(61,108,000)	(42,483,000)
Recoveries	9,765,000	6,892,000
Ending balance	\$56,262,000	\$51,873,000



## Note D — Fund Capitalization

Title VIII of Public Law 98-369, effective July 14, 1984, provided for the capitalization of the Fund through the contribution by each insured credit union of an amount equal to 1% of the credit union's insured shares to be paid initially by January 21, 1985, and to be adjusted annually thereafter. Effective for fiscal year 1987 the annual adjustment of the contribution is based on member share deposits outstanding as of June 30 (as opposed to December 31) of the preceding fiscal year. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, insurance coverage is obtained from another source, or the operations of the Fund are transferred from the NCUA Board. The aggregate contribution of \$1,263,991,374 at September 30, 1987, consists of \$1,180,118,351 of insured credit union accumulated contributions and \$83,873,023 of the previously accumulated fund balance which was designated by the NCUA Board as a component of credit union accumulated contributions.

The law requires that upon receipt of the 1% contribution, the total fund balance must be maintained at a normal operating level to be determined by the NCUA Board. The NCUA Board has determined this level to be 1.3% of insured shares. The NCUA Board did not declare any dividends during 1986 or 1987.

## Note E — Investments

All cash received by The Fund which is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

As of September 30, 1987 and 1986, The Fund's investment portfolio consisted of the following:

	1987		1986	
	Book Value	Market Value	Book Value	Market Value
U.S. Treasury Securities				
Overnight funds	\$ 52,302,000	\$ 52,302,000	\$ 367,448,000	\$ 367,448,000
Maturities up to one year	457,730,188	457,556,250	431,150,666	436,116,000
Maturities over one year	1,085,777,480	1,064,484,375	599,408,879	614,325,000
	<u>\$1,595,809,668</u>	<u>\$1,574,342,625</u>	<u>\$1,398,007,545</u>	<u>\$1,417,889,000</u>



<b>FISCAL YEAR</b>	<b>1978</b>	<b>1979</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>
<b>Income (thousands)</b>					
Regular Premium-Federal	\$20,013	\$23,563	\$25,682	\$27,657	\$29,658
Regular Premium-State	9,617	11,616	12,813	14,077	15,197
Special Premium-Federal	—	—	—	—	19,419
Special Premium-State	—	—	—	—	10,526
Treasury Investments	7,051	9,178	13,319	19,033	18,358
Other	715	1,579	1,718	1,655	1,883
<b>Total Income</b>	<b>\$37,396</b>	<b>\$45,936</b>	<b>\$53,532</b>	<b>\$62,422</b>	<b>\$95,041</b>
<b>Expenses (thousands)</b>					
Operating	\$5,175	\$5,873	\$8,332	\$9,314	\$10,813
Insurance Losses	2,557	4,709	29,801	43,746	77,458
Losses on Investment Sales	—	—	—	—	1,805
Other	613	1,665	2,730	119	1,822
<b>Total Expenses</b>	<b>\$8,345</b>	<b>\$12,247</b>	<b>\$40,863</b>	<b>\$53,179</b>	<b>\$91,898</b>
<b>Net Income (thousands)</b>	<b>\$29,051</b>	<b>\$33,689</b>	<b>\$12,669</b>	<b>\$9,243</b>	<b>\$3,143</b>
<b>Fiscal Year-end Data:</b>					
<b>Total Equity (thousands)</b>	<b>\$118,921</b>	<b>\$152,610</b>	<b>\$165,620<sup>(3)</sup></b>	<b>\$174,716</b>	<b>\$177,921</b>
Equity as a Percentage of Shares in NCUSIF-insured Credit Unions	0.270%	0.320%	0.303%	0.302%	0.259%
<b>Contingent Liabilities (thousands)</b>	<b>\$10,213</b>	<b>\$18,913</b>	<b>\$100,463</b>	<b>\$171,716</b>	<b>\$149,090</b>
Contingent Liabilities as a Percentage of Equity	8.6%	12.4%	60.7%	98.3%	83.8%
<b>NCUSIF Loss per \$1,000 of Insured Shares</b>	<b>\$0.06</b>	<b>\$ .10</b>	<b>\$ .61</b>	<b>\$ .83</b>	<b>\$ 1.28</b>
<b>Operating Ratios:</b>					
Premium Income	79.2%	76.6%	71.9%	66.9%	78.7%
Investment Income	18.9%	20.0%	24.9%	30.5%	19.3%
Other Income	1.9%	3.4%	3.2%	2.6%	2.0%
Operating Expenses	13.8%	12.8%	15.6%	14.9%	11.4%
Insurance Losses	6.8%	10.3%	55.7%	63.5%	81.5%
Other Expenses	1.7%	3.6%	5.0%	6.8%	3.8%
Total Expenses	22.3%	26.7%	76.3%	85.2%	96.7%
Net Income	77.7%	73.3%	23.7%	14.8%	3.3%
<b>Involuntary Liquidations Commenced</b>					
Number	168	169	239	251	160
Share Payouts (thousands)	\$14,244	\$19,001	\$59,957	\$78,639	\$39,892
Share Payouts as a Percentage of Total Insured Shares in all NCUSIF-insured Credit Unions	0.032%	0.040%	0.110%	0.136%	0.058%
<b>Mergers:</b>					
Assisted <sup>(1)</sup>	—	—	—	98	167
Unassisted	196	193	313	235	272 <sup>(4)</sup>

**Footnotes:**

<sup>1</sup>Assisted merger cases were not separately identified until 1981.

<sup>2</sup>Effective with fiscal year 1983, Contingent Liabilities excludes the amount of Guaranty Account assistance outstanding. Balance sheet reserves for potential losses in supervised credit unions fully provide for all losses that might arise from Guaranty Account assistance.

<sup>3</sup>Increasing and decreasing adjustments of \$341,000 and \$86,000 respectively, made to reflect the closing out of the OEO Guaranty Program of 1971.



<b>FISCAL YEAR</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>
<b>Income (thousands)</b>					
Regular Premium-Federal	\$33,878	\$40,404	\$10,508	—	—
Regular Premium-State	17,374	19,781	5,208	—	—
Special Premium-Federal	34,561	—	—	—	—
Special Premium-State	17,725	—	—	—	—
Treasury Investments	20,141	30,088	83,789	121,080	112,407
Other	1,357	878	708	346	339
<b>Total Income</b>	<b>\$125,036</b>	<b>\$91,151</b>	<b>\$100,213</b>	<b>\$121,426</b>	<b>\$112,746</b>
<b>Expenses (thousands)</b>					
Operating	\$10,315	\$10,426	\$10,927	\$16,822	\$21,466
Insurance Losses	55,060	28,068	25,472	37,864	55,732
Losses on Investment Sales	1,796	2,326	—	—	—
Other	577	—	—	—	—
<b>Total Expenses</b>	<b>\$67,748</b>	<b>\$40,820</b>	<b>\$36,399</b>	<b>\$54,686</b>	<b>\$77,198</b>
<b>Net Income (thousands)</b>	<b>\$57,288</b>	<b>\$50,331</b>	<b>\$63,814</b>	<b>\$66,740</b>	<b>\$35,548</b>
<b>Fiscal Year-end Data:</b>					
<b>Total Equity (thousands)</b>					
Equity as a Percentage of Shares in NCUSIF-insured Credit Unions	<b>\$235,209</b> 0.292%	<b>\$285,540</b> 0.313%	<b>\$1,119,356</b> 1.28%	<b>\$1,411,391</b> 1.24% <sup>5</sup>	<b>\$1,602,251</b> 1.23%
<b>Contingent Liabilities (thousands)<sup>(2)</sup></b>					
Contingent Liabilities as a Percentage of Equity	<b>\$67,338</b> 29.7%	<b>\$23,930</b> 8.4%	<b>\$4,131</b> 0.4%	<b>\$4,864</b> 0.3%	<b>\$5,572</b> 0.3%
<b>NCUSIF Loss per \$1,000 of Insured Shares</b>	<b>\$0.77</b>	<b>\$0.34</b>	<b>\$0.26</b>	<b>\$0.30</b>	<b>\$0.38</b>
<b>Operating Ratios:</b>					
Premium Income	82.8%	66.0%	15.7%	—	—
Investment Income	16.1%	33.0%	83.6%	99.7%	99.7%
Other Income	1.1%	1.0%	0.7%	0.3%	0.3%
Operating Expenses	8.3%	11.4%	10.9%	13.9%	19.1%
Insurance Losses	44.0%	30.8%	25.4%	31.2%	49.4%
Other Expenses	1.9%	2.6%	—	—	—
Total Expenses	54.2%	44.8%	36.3%	45.1%	68.5%
Net Income	45.8%	55.2%	63.7%	54.9%	31.5%
<b>Involuntary Liquidations Commenced</b>					
Number	50	38	31	36	33
Share Payouts (thousands)	\$9,954	\$34,840	\$15,499	\$22,168	\$3,213
Share Payouts as a Percentage of Total Insured Shares in all NCUSIF-insured Credit Unions	0.012%	0.039%	0.014%	0.020%	0.002%
<b>Mergers:</b>					
Assisted <sup>(1)</sup>	203	92	63	58	55
Unassisted	503	550	514	515	489

**Footnotes:**

<sup>1</sup>1982 reflects nine months' activity (January 1, 1982 through September 30, 1982) to coincide with fiscal year. Prior to 1982, information on merger cases was reported on a calendar year basis. Merger costs have always been recorded on a fiscal year basis.

<sup>5</sup>In July 1986, the NCUA Board approved a change in the insurance year from December 31 to June 30. Effective with fiscal year 1986, the equity percentage is based upon June 30 insured shares.



END OF CALENDAR YEAR	1978	1979	1980	1981	1982
<b>Shares in NCUSIF-Insured Credit Unions (millions)<sup>(1)</sup></b>					
Federal Credit Unions	\$29,802	\$31,831	\$36,263	\$37,788	\$45,491
State Credit Unions	14,316	15,871	18,468	20,006	23,152
Total Shares	\$14,118	\$47,702	\$54,731	\$57,794	\$68,643
<b>Number of Member Accounts in NCUSIF-Insured Credit Unions (thousands)</b>					
Federal	23,259	24,789	26,829	28,595	26,095
State	11,479	12,218	13,679	14,657	13,160
Total	34,738	37,007	40,508	43,252	39,255
<b>Number of NCUSIF-Insured Credit Unions</b>					
Federal	13,050	13,000	12,802	12,367	11,430
State	4,362	4,769	4,910	4,994	5,036
Total	17,412	17,769	17,712	17,361	16,466
Shares in NCUSIF-Insured Credit Unions as a Percentage of all Credit Union Shares	82.4%	83.0%	83.3%	81.5%	82.9%
State Credit Union Portion of Shares in all NCUSIF-Insured Credit Unions	32.4%	33.3%	33.7%	34.6%	33.7%
END OF FISCAL YEAR	1978	1979	1980	1981	1982
<b>Assistance to Avoid Liquidation:</b>					
Capital Notes and Other Cash Advances Outstanding	\$13,522	\$15,794	\$15,447	8,388	\$16,839
Noncash Guaranty Accounts	\$1,733	\$5,791	\$29,247	\$42,922	\$48,786
Number of active cases	12	30	59	114	124
<b>Problem Case Insured Credit Unions (Codes 4 and 5):</b>					
Number	825	1,020	1,018	1,174	1,192
Shares (millions)	\$1,450	\$2,300	\$2,400	\$2,980	\$4,590
Problem case shares as a Percentage of Shares in NCUSIF-Insured Credit Unions	3.3%	4.8%	4.4%	5.2%	6.7%

**Footnotes:**

<sup>1</sup>Includes uninsured shares in NCUSIF-Insured Natural Person Credit Unions and all shares in Corporate Credit Unions. Corporate Credit Unions serve solely as depositories and service providers to Natural Person Credit Unions.

<sup>2</sup>Estimated amounts as of December 31, 1987.



END OF CALENDAR YEAR	1983	1984	1985	1986	1987 <sup>(2)</sup>
<b>Shares in NCUSIF-Insured Credit Unions (millions)<sup>(1)</sup></b>					
Federal Credit Unions	\$54,099	\$61,938	\$77,691	\$96,420	\$105,200
State Credit Unions	26,375	27,713	39,866	50,482	54,200
Total Shares	\$80,474	\$89,651	\$117,557	\$146,902	\$159,400
<b>Number of Member Accounts In NCUSIF-Insured Credit Unions (thousands)</b>					
Federal	26,700	28,170	29,576	31,041	32,000
State	13,460	15,205	15,689	17,362	18,000
Total	40,160	43,288	45,265	48,403	50,000
<b>Number of NCUSIF-Insured Credit Unions</b>					
Federal	10,963	10,614	10,142	9,758	9,475
State	4,918	4,689	4,932	4,944	4,985
Total	15,881	15,303	15,074	14,702	14,460
Shares in NCUSIF-Insured Credit Unions as a Percentage of all Credit Union Shares	83.8%	82.0%	91.6%	96.4%	97%
State Credit Union Portion of Shares in all NCUSIF-Insured Credit Unions	32.8%	30.9%	33.9%	34.5%	34.0%
END OF FISCAL YEAR	1983	1984	1985	1986	1987
<b>Assistance to Avoid Liquidation:</b>					
Capital Notes and Other Cash Advances Outstanding	\$31,838	\$36,413	\$33,266	22,396	\$5,031
Noncash Guaranty Accounts	\$52,736	\$54,213	\$36,946	\$39,903	\$39,564
Number of active cases	113	72	45	30	16
<b>Problem Case Insured Credit Unions (Codes 4 and 5):</b>					
Number	1,124	872	742	794	929
Shares (millions)	\$4,652	\$4,071	\$4,055	\$6,611	\$8,135
Problem case shares as a Percentage of Shares in NCUSIF-Insured Credit Unions	5.9%	4.7%	3.9%	4.9%	4.9%



## LEGISLATIVE HISTORY AND ORGANIZATION

The National Credit Union Share Insurance Fund (NCUSIF) was created by Public Law 91-468 (Title II of the Federal Credit Union Act) on October 19, 1970. The Fund was established as a revolving fund in the Treasury of the United States under the management of the Administrator of NCUA (now the NCUA Board). The Act directed the Administrator to insure member accounts in all federal credit unions and to qualifying state credit unions that requested insurance. The maximum amount of insurance was set initially at \$20,000 per member account. This maximum was raised to \$40,000 by Public Law 93-495 (October 29, 1974) and the current level of \$100,000 by Public Law 96-221 (March 31, 1980). Public Law 98-369 (July 18, 1984) provided for the capitalization of the NCUSIF by having each credit union deposit 1% of their insured shares into the Fund.

Monies in the Fund can be used by the Board for insurance payments, for assistance authorized in the Federal Credit Union Act in connection with the liquidation or threatened liquidation of insured credit unions, and for expenses incurred in connection with carrying out the Act's purposes.

## ORGANIZATION

NCUA has a central office in Washington, DC, and six regional offices in Albany, New York; Washington, D.C.; Atlanta, Georgia; Chicago, Illinois; Austin, Texas (Suboffice in Sioux City, Iowa); and Walnut Creek, California. Of the Agency's 813 employees, 677 are assigned to the region. The regional offices are responsible for examining and supervising all federal and federally insured state-chartered credit unions. The regional offices perform the initial reviews of insurance applications and requests for financial assistance under Section 208 of the Federal Credit Union Act. They also are responsible for performing continued insurability reviews and for making timely payment of insured member accounts in liquidation cases.

The NCUA Board and its staff are located in the central office in Washington, D.C. The central office's primary role is to provide support to regional offices. The accounting records and investments for the Fund are also managed from Washington, D.C.

## NATIONAL CREDIT UNION ADMINISTRATION

### **NCUA Board**

Roger W. Jepsen, Chairman  
Elizabeth Flores Burkhart, Vice Chairman  
Vacant, Board Member

Donald E. Johnson, Executive Director  
Robert M. Fenner, General Counsel

1776 G Street, Northwest  
Washington, D.C. 20456  
(202) 357-1100

### **Office of Examination and Insurance**

D. Michael Riley, Director  
Nicholas Veghts, Deputy Director

Department of Insurance  
Dennis Winans, Director  
Department of Risk Management  
Vacant

Department of Supervision  
Timothy Hornbrook, Director

1776 G Street, Northwest  
Washington, D.C. 20456  
(202) 357-1065

## REGIONAL OFFICES

### **Region I (Albany)**

Foster C. Bryan  
Regional Director  
9 Washington Square  
Washington Avenue Extension  
Albany, New York 12205  
(518) 472-4554

### **Region II (Capital)**

Harvey J. Baine, III  
Regional Director  
1776 G Street, N.W., Suite 800  
Washington, D.C. 20006  
(202) 682-1900

### **Region III (Atlanta)**

John F. Ruffin  
Regional Director  
1365 Peachtree Street, N.E.  
Suite 500  
Atlanta, Georgia 30367  
(404) 347-3127

### **Region IV (Chicago)**

H. Allen Carver  
Regional Director  
230 South Dearborn, Suite 3346  
Chicago, Illinois 60604  
(312) 886-9697

### **Region V (Austin)**

J. Leonard Skiles  
Regional Director  
4807 Spicewood Springs Road  
Stillhouse Canyon  
Building 5  
Austin, Texas 78759  
Telephone: (512) 482-4500

### **Region VI (Walnut Creek)**

Robert J. LaPorte  
Regional Director  
2890 N. Main Street, Suite 101  
Walnut Creek, CA 94596  
(415) 449-3490





EFFECTIVE FEBRUARY 1, 1988

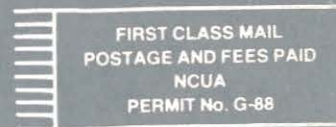
# NCUA REGIONAL OFFICE BOUNDARIES



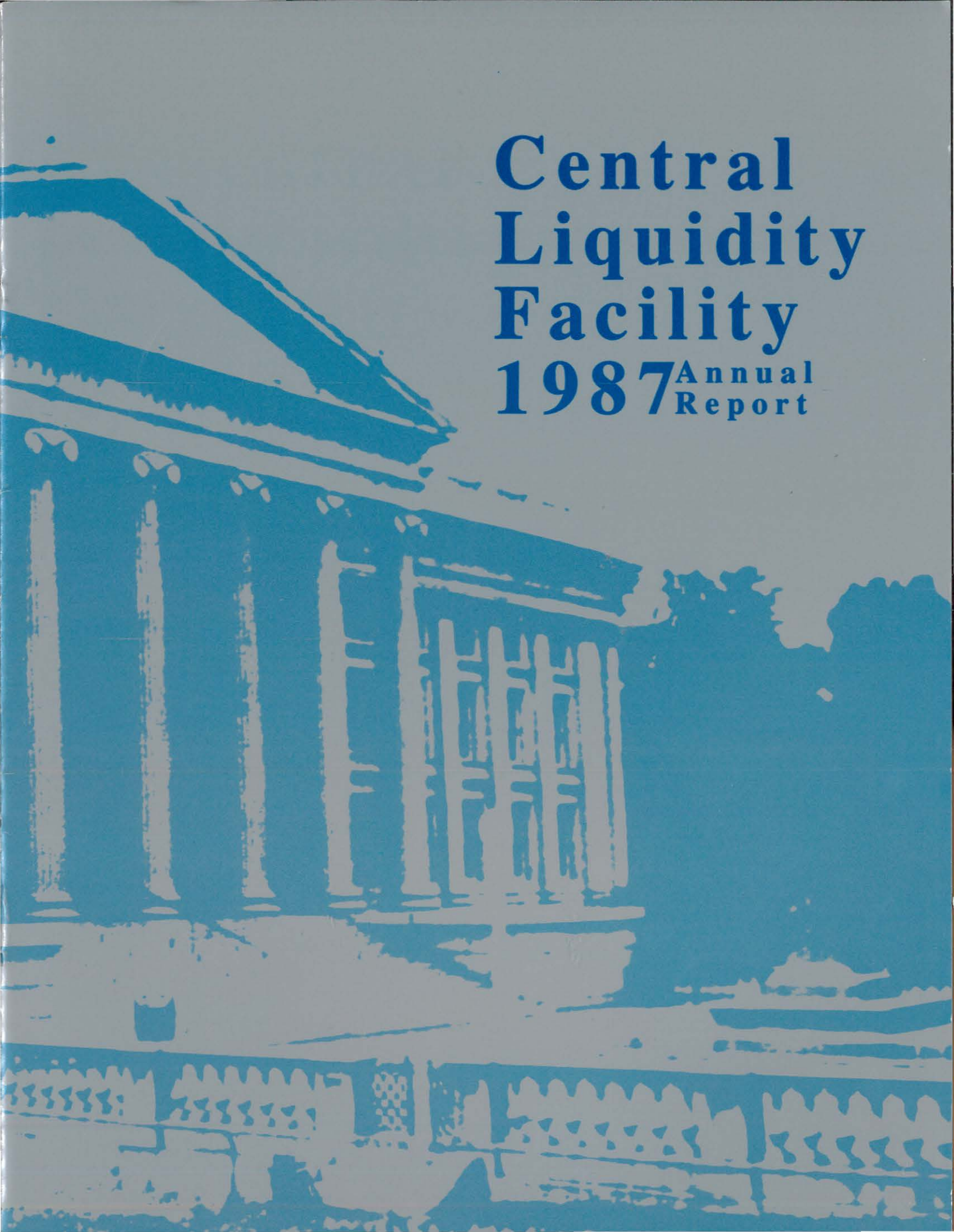


National Credit Union  
Administration  
Washington, D.C. 20456

OFFICIAL BUSINESS  
Penalty For Private Use, \$300



FIRST CLASS MAIL  
POSTAGE AND FEES PAID  
NCUA  
PERMIT No. G-88



**Central  
Liquidity  
Facility**  
**1987** Annual  
Report





**Central Liquidity Facility Staff  
as of September 30, 1987**



**VINCENT A. TOOLEN**  
*PRESIDENT*



**FLOYD A. LANCASTER**  
*TREASURER*



**PAT A. BURLESON**  
*LOAN OFFICER AND CORPORATE SPECIALIST*



**DANIEL CHAPIN**  
*ACCOUNTING TECHNICIAN*



**RUTHIE TAYLOR**  
*SECRETARY*



**National Credit Union  
Administration  
Central Liquidity Facility  
1776 G Street, N.W.  
Washington, D.C. 20456**

**For Members in D.C.  
Metro Area: 202-357-1142**  
**All Other Inquiries: 1-800-424-3208**

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## Financial Highlights Central Liquidity Facility

	1987	1986	%Change
<b>Operating Results</b>			
Operating Net income . . . . .	\$ 18,637,000	\$ 18,370,000	+ 1.5%
Dividends . . . . .	18,047,000	17,402,000	+ 3.7%
Net Earnings and Additions to Reserves . . . . .	590,000	968,000	- 39.0%
<b>At Fiscal Year End</b>			
Total Assets . . . . .	\$481,493,000	\$409,030,000	+ 17.7%
Total Member Shares & Retained Earnings . . . . .	354,530,000	287,712,000	+ 23.2%
Total Loans . . . . .	111,544,000	105,550,000	+ 5.7%
Total Employees . . . . .	5	4	
Total Members: via Agents (credit unions) . . . . .	43(18,000)	43(18,000)	
Direct . . . . .	338	369	

## Financial Summary

During fiscal year 1987, in addition to meeting its statutory mission, the CLF paid a market-based dividend to shareholders and met the reserve targets established by the NCUA Board. Net operating income of \$18.6 million before dividends equals a 5.72% return on members' capital and deposits for the fiscal 1987 year.

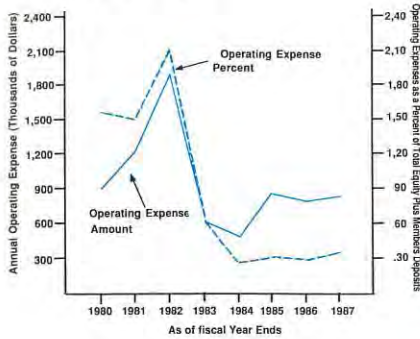
Operating expenses of \$797,000 were below the Congressionally approved \$805,000 operating budget set for the CLF during fiscal 1987.

The cooperative relationship between the corporate network and the CLF continues to provide efficiencies for CLF services that help to keep CLF's fixed administrative operating costs to a minimum. Despite the significant increases in membership over the past several years, the operating expense ratio for 1987 only increased .9% to 3.1% as compared to .5% during fiscal 1986.

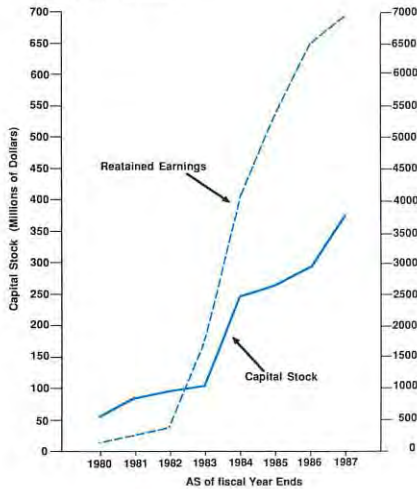
Retained earnings at September 30, 1987, stood at \$6.8 million, an increase of 10% during the year. Although CLF has not had any losses from its lending and investment activities during its first eight years of operation, this reserve account is a recognition that CLF activities are not completely risk free. Investment of these reserves also provides income which at current interest rates allows CLF to meet more than half of its operating expenses. The NCUA Board has established a management goal of increasing reserves to the level where the earnings on these reserves will cover the CLF's operating expenses.

Assets increased by \$72.5 million, or 18%, during the year. This increase is primarily due to a 23.5% increase in capital stock. Capital stock rose by \$66.2 million as a result of membership stock adjustments in March 1987.

Operating Expense History



Equity Capital Trends





## Dividends

Dividends on members' stock and deposits of \$18.7 million resulted in an average return on shares of 5.72% for the fiscal year. The distribution of net earnings in dividends after all operating expenses exceeded 96% of available net income. The per annum dividend rate paid per quarter on shares for the past two years and the average 90-day T-Bill rate for the current year are as follows:

Quarter Ending	CLF Dividend		90 Day T-Bill Rate
	1986	1987	1987
1st Quarter - 12/31	7.37%	5.45%	5.45%
2nd Quarter - 3/31	7.07%	5.63%	5.63%
3rd Quarter - 6/30	6.37%	5.77%	5.77%
4th Quarter - 9/30	5.60%	6.03%	6.03%
Fiscal Year Average	6.60%	5.72%	5.72%

The practice of the CLF is to pay dividends as close to the 90-day Treasury bill rate as earnings permit. For the past five years this objective has been met.

## Loan Portfolio Spread

The CLF loan portfolio spread for the fiscal year was .163%. The average outstanding loan balance for the year was \$97.4 million, a decrease of \$77 million from the previous fiscal year. This decline in the average outstanding loan balance during the year is viewed as a positive sign since credit unions were able to restructure their asset/liability mix and no longer needed assistance from the CLF. Overall the loan portfolio contributed \$172,000 to net income during the year.

CLF tailors its lending rate to meet the situational lending needs of credit unions. Special loan programs, such as the Investment Liquidity Lending Program, are extended on a case-by-case basis and set at a rate that would provide the maximum benefit to these "208 type" credit unions. These loans are consistent with CLF's overall statutory purpose "to improve the general financial stability" of the credit union system.

## Investments

Title III of the Federal Credit Union Act permits the CLF to invest in U.S. Government and Agency obligations, place deposits in federally insured financial institutions, and make investments in shares or deposits with credit unions. CLF's investment objectives are first to meet liquidity needs by holding in daily accounts sufficient funds to meet sudden loan demand, withdrawals from liquidity and clearing accounts, and any membership refunds, and then make authorized investments at various maturities to maximize yield. During 1987, all funds were placed in investments at maturities not exceeding six months.

Investments at September 30, 1987, stood at \$363.2 million, an increase of \$64.3 million from the previous year. The investments consist of two separate portfolios: the \$286 million redeposit in U.S. Central, and the nearly \$77.2 million invested in Eurodollar deposits and daily accounts. The reinvestment at U. S. Central is at an "administered" rate set quarterly. The income from this managed spread when combined with all of CLF's other earnings is sufficient to pay CLF's entire operating and reserving costs, as well as the projected dividend. During fiscal year 1987, the yield on the redeposit was 5.81%.

The average maturity of the portfolio, excluding the redeposit, was 72 days at fiscal year-end, compared to 99 days at the beginning of the fiscal year. The average yield on the managed portfolio was 6.66% during the year. The comparative rates for three month Eurodollar Certificate of Deposit and 90-day T-Bill were 7.64% and 6.20% respectively. Including the yield on the redeposit in the corporate system, the overall return on CLF's investments was 6.09% for fiscal 1987.

## CLF Investment Portfolio at September 30, 1987

Investment	\$Amount	% of Total Portfolio	Yield
Eurodollar Time Deposit	\$60,000,000	16.5%	7.25%
U.S. Central Daily Account	17,197,011	4.7%	7.32%
U.S. Central Redeposit	286,000,000	78.8%	6.22%
<b>Total</b>	<b>\$363,197,011</b>	<b>100.0%</b>	<b>6.44%(a)</b>

(a)Weighted Average Yield for September

## Maturity Schedule of CLF Investment Portfolio at September 30, 1987

Month	Eurodollar Time Deposits	U.S. Central Daily Account	U.S. Central Redeposit	Total
October	\$20,000,000	\$17,197,011	\$286,000,000	\$323,197,011
November	10,000,000			10,000,000
December	10,000,000			10,000,000
January	0			0
February	15,000,000			15,000,000
March	5,000,000			5,000,000
<b>Total</b>	<b>\$60,000,000</b>	<b>\$17,197,011</b>	<b>\$286,000,000</b>	<b>\$363,197,011</b>



## Report of Independent Accountants

November 2, 1987

To the Board of the National Credit Union Administration and  
the National Credit Union Administration Central Liquidity Facility

In our opinion, the accompanying balance sheets and the related statements of operations and retained earnings and of changes in financial position present fairly the financial position of the National Credit Union Administration Central Liquidity Facility at September 30, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, issued by the U.S. Comptroller General in 1981, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse  
Washington, D.C.

# National Credit Union Administration Central Liquidity Facility Balance Sheets

(Expressed In thousands of dollars)

	Year Ended September 30,	
	1987	1986
<b>ASSETS</b>		
Cash	\$ 6	\$ 4
Investments	363,197	298,902
Loans to members	111,544	105,550
Accrued interest receivable	6,746	4,574
Total assets	<u>\$481,493</u>	<u>\$409,030</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Notes payable	\$111,394	\$104,050
Member deposits	14,083	16,389
Accrued interest payable	1,347	769
Accounts payable and other liabilities	139	110
Total liabilities	126,963	121,318
Equity		
Capital stock—required	347,736	281,508
Retained earnings	6,794	6,204
Total equity	354,530	287,712
Commitments		
Total liabilities and equity	<u>\$481,493</u>	<u>\$409,030</u>

The accompanying notes are an integral part of these financial statements.



# National Credit Union Administration Central Liquidity Facility Statements of Operations and Retained Earnings

(Expressed in thousands of dollars)

	Year Ended September 30,	
	1987	1986
Income		
Interest on loans	\$ 5,894	\$12,824
Income from investments	19,884	19,074
Other	73	288
<b>Total income</b>	<b>25,851</b>	<b>32,186</b>
Expenses		
Personnel services	215	167
Personnel benefits	32	19
Employee travel	22	10
Rent, communications and utilities	63	50
Printing and reproduction	10	1
Other services	68	93
Agent commitment fee	384	382
Supplies and materials	3	2
<b>Total operating expenses</b>	<b>797</b>	<b>724</b>
Interest		
Federal Financing Bank	5,722	12,416
Member deposits	695	676
<b>Total expenses</b>	<b>7,214</b>	<b>13,816</b>
<b>Net income</b>	<b>18,637</b>	<b>18,370</b>
Dividends to members	18,047	17,402
Addition to retained earnings	590	968
Retained earnings at beginning of period	6,204	5,236
<b>Retained earnings at end of period</b>	<b>\$ 6,794</b>	<b>\$ 6,204</b>

The accompanying notes are an integral  
part of these financial statements

# National Credit Union Administration Central Liquidity Facility Statements of Changes in Financial Position

(Expressed In thousands of dollars)

	Year Ended September 30,	
	1987	1986
Cash and investments were provided by:		
Operations		
Net income	\$ 18,637	\$ 18,370
Issuance of required capital stock	68,005	32,732
Addition to member deposits	19,663	21,689
Borrowings	483,376	677,839
Loan repayments	470,783	789,143
Total cash and investments provided	1,060,464	1,539,773
Cash and investments were used for:		
Redemption of required capital stock	1,777	2,714
Withdrawal of member deposits	21,969	19,222
Dividends	18,047	17,402
Borrowing repayments	476,032	795,958
Loan disbursements	476,777	672,524
Other, net	1,565	(2,193)
Total cash and investments used	996,167	1,505,627
Increase in cash and investments	\$ 64,297	\$ 34,146

The accompanying notes are an integral  
part of these financial statements

## National Credit Union Administration Central Liquidity Facility Notes to Financial Statements September 30, 1987 and 1986

### Note 1 — Organization and Purpose

The National Credit Union Administration Central Liquidity Facility ("the CLF") was created by the National Credit Union Central Liquidity Facility Act ("the Act"). The CLF is designated as a mixed-ownership government corporation under the Government Corporation Control Act. It exists within the National Credit Union Administration (NCUA) and is managed by the National Credit Union Administration Board. The CLF became operational on October 1, 1979.



The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions. The CLF is a tax exempt organization under Section 501(c) of the Internal Revenue Code.

## **Note 2 — Significant Accounting Policies**

### **Basis of Accounting**

The CLF maintains its accounting records on the accrual basis of accounting.

### **Allowance for Loan Losses**

Loans to members are made on both a short-term and long-term basis. The CLF obtains a security interest in the assets of the borrower on all loans and in some cases the CLF receives the guarantee of the NCUA Share Insurance Fund.

The CLF evaluates the collectibility of its loans to members through examination of the financial condition of the individual borrowing credit unions and the credit union industry in general.

No allowance for loan losses was considered necessary at September 30, 1987 and 1986.

### **Investments**

The CLF invests in members' share accounts (see Notes 5 and 8). All of the CLF's other investments are short-term with no maturities in excess of one year. These investments are recorded at cost, which approximates market value.

## **Note 3 — Government Regulations**

The CLF was created by the Act and is subject to various Federal laws and regulations. The CLF's operating budget requires Congressional approval and the CLF may not make loans to members for the purpose of expanding credit union loan portfolios. The CLF's investments are restricted to obligations of the United States Government and its agencies, deposits in federally insured financial institutions and shares and deposits in credit unions. Borrowing is limited to the lesser of \$594 million or twelve times equity and capital subscriptions on-call. At September 30, 1987 and 1986, the CLF was in compliance with these limitations.

## **Note 4 — Loans to Members**

During 1987 loans were made only to member credit unions. These loans carry interest rates which ranged from 6.29% to 8.00% at September 30, 1987 (5.510% to 6.453% at September 30, 1986). The loans outstanding at September 30, 1987 are scheduled to mature during fiscal year 1988 (the loans outstanding at September 30, 1986 matured during fiscal year 1987). Included in loans to members at September 30, 1987 and 1986 are loans to U.S. Central Corporate Credit Union in its capacity as agent of the CLF (see Note 8) in the amount of \$110,394,000 and \$104,050,000, respectively.

The CLF has also provided members with extended loan commitments through 1988. Outstanding commitments at September 30, 1987 and 1986 were approximately \$32,000,000. The CLF

instituted lines of credit to members during fiscal year 1987. As of September 30, 1987, lines of credit totaling \$38,455,000 had been authorized; however, no advances had been made against these lines.

The CLF instituted lines of credit for state insurance corporations during fiscal year 1985. Advances against these lines would be non-revolving and fully secured by a senior perfected security interest in negotiable, marketable securities acceptable to the CLF. As of September 30, 1987, no advances had been made against the lines and all existing lines expired on that date. Subsequent to September 30, 1987, lines of credit totaling \$19 million have been authorized. Each line of credit calls for a commitment fee of 1/4 of 1 percent per annum (3/8 of 1 percent per annum in fiscal year 1986).

#### **Note 5 — Investments**

Funds not currently required for operations are invested as follows (dollars in thousands):

	<b>September 30,</b>	
	<b>1987</b>	<b>1986</b>
U.S. Central (see Note 8)		
Redeposits	\$286,000	\$218,000
Share accounts	17,197	20,902
Time deposits	60,000	60,000
	<u>\$363,197</u>	<u>\$298,902</u>

#### **Note 6 — Notes Payable**

All of the CLF's borrowings have been from the Federal Financing Bank. The interest rates on these obligations are fixed and range from 5.985% to 6.915% at September 30, 1987 (5.385% to 6.305% at September 30, 1986). Interest is generally payable upon maturity. The notes outstanding at September 30, 1987 are scheduled to mature during fiscal year 1988 (the notes outstanding at September 30, 1986 matured during fiscal year 1987).

The Secretary of the Treasury is authorized by the Act to lend up to \$500 million to the CLF in the event that the Board certifies to the Secretary that the CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, President Reagan signed PL 97-101 which provided \$100 million of permanent indefinite borrowing authority which may be provided by the Secretary of the Treasury to the CLF to meet emergency liquidity needs of credit unions.

#### **Note 7 — Capital Stock and Member Deposits**

The required capital stock account represents subscriptions remitted to the CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which amount is required to be remitted to the CLF. Agent members' required



subscription amounts equal one-half of one percent of the paid-in and unimpaired capital and surplus of all of the credit unions served by the agent member, one-half of which amount is required to be remitted to the CLF. In both cases the remaining one-half of the subscription is required to be held in liquid assets by the member credit unions subject to call by the National Credit Union Administration Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are declared and paid on required capital stock.

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

#### **Note 8 — Membership Increase**

During the year ended September 30, 1984, the CLF accepted a membership request from U.S. Central Corporate Credit Union (USC) on behalf of 29 of its corporate credit union members. At September 30, 1987 and 1986, \$291,900,000 and \$235,919,000, respectively, of the required portion of subscribed capital stock was on deposit with the CLF by USC on behalf of its member credit unions.

In addition, by accepting this membership request, the CLF is initially committed to reinvest all but \$50,000,000 of its total share capital in USC at market rates of interest. At September 30, 1987 and 1986, \$303,197,000 and \$238,902,000, respectively, were invested in USC share accounts at approximately 6.03% and 5.6% respective yields.

#### **Note 9 — Services Provided by the National Credit Union Administration**

The National Credit Union Administration provides the CLF with miscellaneous services, data processing services, and supplies. In addition, the employees of the CLF are paid by the National Credit Union Administration. The CLF reimburses the National Credit Union Administration on a monthly basis for these items.

Total reimbursements for the years ended September 30, 1987 and 1986 amounted to approximately \$309,000 and \$236,000, respectively.

#### **Note 10 — Pension Plan**

The employees of the CLF are participants in the Civil Service Retirement Plan and the Federal Employees' Retirement System. Both plans are contributory defined benefit pension plans covering all of the employees of the CLF. The Federal Employees' Retirement System (FERS) is a defined contribution retirement plan and is comprised of a Social Security Benefits Plan, a Basic Benefit Plan and a Savings Plan and is mandatory for all employees hired on or after January 1, 1984. Employees hired before January 1, 1984 have until December 31, 1987 the option to elect to transfer coverage from the Civil Service Retirement System. Contributions to the plans are based on a percentage of employees' gross pay. Under the

Savings Plans employees can also elect additional contributions between one and ten percent of their gross pay and the CLF will match up to five percent of the employee elected contribution. Pension expense for the years ended September 30, 1987 and 1986 was approximately \$19,000 and \$12,000, respectively.

**Note 11 — Lease**

The CLF leases office space jointly with the National Credit Union Administration under a non-cancellable operating lease expiring in 1994. The agreement provides for annual rent adjustments based on increases in the consumer price index. Under the terms of this lease, the CLF and the National Credit Union Administration are jointly and severally liable for future minimum lease payments as of September 30, 1987, as follows (dollars in thousands):

**Year ended September 30,**

1988 .....	\$ 980
1989 .....	980
1990 .....	997
1991 .....	1,001
1992 .....	1,001
Thereafter .....	2,169
<b>Total .....</b>	<b>\$7,128</b>

The CLF's portion of these lease payments (rent expense) for each of the years ended September 30, 1987 and 1986 was approximately \$46,000 and \$33,000, respectively.



## Selected Financial Ratios

	1987	1986	1985	1984	1983
<b>Operating Ratios:</b>					
Operating Expenses/Total Income . . . . .	3.1%	2.2%	1.7%	1.5%	3.4%
Interest Expenses/Total Income (FFB) . . .	22.1%	38.6%	49.0%	28.4%	43.8%
Allowance for Loan Losses . . . . .	0.0%	0.0%	0.0%	0.0%	0.0%
Dividends/Total Income . . . . .	69.8%	54.1%	44.9%	63.5%	44.7%
Dividends/Net Operating Income . . . . .	96.8%	94.7%	94.4%	94.7%	85.0%
Net Income After Dividends/Total Income	2.3%	3.0%	2.7%	3.7%	14.5% <sup>(a)</sup>

<sup>(a)</sup>Increase Due to Eliminating Allowance for Loan Losses.

### Balance Sheet Using Fiscal Year End Data:

Shares and Retained Earnings/					
Total Assets . . . . .	73.6%	70.3%	51.9%	46.5%	60.8%
Total Liabilities/Total Assets . . . . .	26.4%	29.7%	48.1%	53.5%	39.2%
Loans/Total Assets . . . . .	23.2%	25.8%	44.9%	50.2%	31.0%
Investments/Total Assets . . . . .	75.4%	73.1%	53.5%	47.4%	66.9%
Investments/Shares and Deposit					
Liabilities . . . . .	100.4%	100.3%	99.8%	97.8%	99.7%
Total Borrowings/Shares and					
Retained Earnings . . . . .	31.4%	36.2%	86.5%	107.6%	50.2%
Loans/Shares and Retained Earnings . . .	31.5%	36.7%	86.5%	108.0%	50.9%

### Performance Ratios Using Average Balances:

Yield on Average Investments . . . . .	6.0%	6.8%	8.6%	10.4%	9.7%
Yield on Average Loans . . . . .	5.4%	7.8%	9.4%	10.6%	9.9%
Yield on Total Average Earning/Assets . .	5.9%	7.2%	9.0%	10.5%	9.9%
Average Borrowing Rate . . . . .	5.9%	6.3%	8.5%	10.3%	8.8%
Average Dividend Rate . . . . .	5.7%	6.6%	8.2%	9.8%	8.6%
Operating Income before					
Dividends/Average Shares and					
Retained Earnings . . . . .	5.8%	6.7%	8.8%	12.5%	13.2%
Net Income after Dividends/					
Average Shares and Retained Earnings	0.2%	0.4%	0.5%	0.7%	3.2%

## Agent Members of the Central Liquidity Facility

Central Credit Union Fund, Inc. (MA)  
Constitution State Corporate Credit Union, Inc. (CT)  
U.S. Central Agent Group:  
U.S. Central Credit Union (Agent Group Representative)  
Alabama Central CU  
Capital Corporate Central FCU  
Central CU of Michigan  
Colorado Corporate FCU  
Corporate CU of Arizona  
Corporate Central CU of Utah  
Eastern Corporate Central CU (MASS)  
Empire Corporate Central FCU (NY)  
First Carolina Corporate CU (NC)  
Garden State Corporate Central CU (NJ)  
Georgia Central CU  
Indiana Corporate FCU  
Iowa League Corporate Central CU  
Kansas Corporate CU  
Kentucky Corporate FCU  
League Central CU (NV)  
League Central of Maine FCU  
Louisiana Corporate CU  
Mid-Atlantic Central FCU (PA)  
Mid-States Corporate FCU (IL)  
Minnesota Corporate CU  
Missouri Corporate Central CU  
Nebraska Corporate Central CU  
North Dakota Central CU  
Ohio Central CU Inc.  
Oklahoma Corporate CU  
Oregon Corporate Central CU  
Pacific Corporate FCU (HI)  
RICUL Corporate CU (RI)  
South Dakota Corporate Central FCU  
Southeast Corporate FCU (FL)  
Southwest Corporate FCU (TX)  
The Carolina Corporate CU (SC)  
Treasure State Corporate Central CU (MT)  
Volunteer State Corporate Central CU (TN)  
Virginia League Corporate CU  
Washington Corporate Central CU  
Western Corporate FCU (CA)  
West Virginia Corporate CU  
Wisconsin Corporate Central CU



## Direct Members of the CLF by State

### ALABAMA

Redstone Fed CU  
Sloss FCU

### ALASKA

Alaska USA FCU  
Eielson EFCU  
Fedalaska FCU  
Ft Wainwright  
Mat Valley FCU  
Ward Cove FCU

### ARIZONA

Arizona Telco FCU

### ARKANSAS

College Sta Comm

### CALIFORNIA

Aerospace FCU  
Am Elec Assn CU  
Brock's Federal CU  
Carlsbad City EFCU  
Chaffey Dist Emp  
Con-Can La Emp  
Continental FCU  
Ebtel FCU  
Electric Work CU  
Fiscal EFCU  
Fort Ord  
Fresno Grangers  
Glendale Area Sch  
Hughes Aircraft FCU  
Long Beach Comm  
Marguardt FCU  
Nat'l Sch Dist EFCU  
Nav Weapon Ctr FCU  
Northern Ind CU  
Northrop CU  
NSC Emp FCU  
Pacific IBM EFCU  
Rockwell FCU  
Russian Amer CU  
Safeway S F EFCU  
Santa Barb Teach  
Sea Air FCU  
Southern Baptist  
TRW Systems CU  
Union Oil Oleum  
USEIT FCU  
Vallejo City EFCU

### COLORADO

Frontier Airlines  
Fort Gordon FCU  
U of C FCU

### CONNECTICUT

Electric Boat FCU  
Pfizer Emp FCU  
Sikorsky FCU  
St. Boniface Parish

West Haven Teacher  
Yale University

### DELAWARE

Phoenix Claymont

### DISTRICT OF COLUMBIA

Bank-Fund Staff  
The Fed Emp CU  
Fed Deposit EFCU  
Geicos FCU FCU  
Hispanic First FCU  
IDB FCU  
IRS FCU  
Navy FCU  
OAS Staff FCU  
Tacomis  
Wright Patman

### FLORIDA

ACCO FCU  
Agrico FCU  
Bay Gulf FCU  
Bell-Tel FCU  
Cy of Miami FCU  
Embroco FCU  
G-P Federal CU  
Gainsvl Camp FCU  
Gold Coast Ed FCU  
GTE FCU  
MAAS Bros FCU  
MacDill AFB FCU  
Orlando FCU  
Pen Air FCU  
Seminole Teach FCU  
Suncoast Schools  
Tampa Bay FCU  
Trop Telco FCU  
UCF FCU

### GEORGIA

Augusta Seaboard  
Augusta Triple "C"  
CRSA FCU  
Dixisteel CU  
Fort Gordon FCU  
Ga State Univ FCU  
Ga Telco CU  
Northwest Comm FCU  
The Fed Emp CU

### GUAM

NavMar FCU

### IDAHO

Boise Telco FCU  
Pocatello Kraft FCU  
Pocatello Teac FCU  
Potlatch #1 FCU

### ILLINOIS

ABE CU  
Chicago Firemen

Pacesetter FCU  
St James Hospital  
W Suburban FCU

### INDIANA

Deaconess Hospital  
JET Credit Union  
Tokheim Emp CU

### KANSAS

Panhandle FCU  
SM Postal FCU

### KENTUCKY

Cue Credit Union Inc.  
Ky Telco FCU  
Louchem FCU  
Members First FCU  
Owensboro EFCU  
Park FCU  
Rural Coop CU Inc

### LOUISIANA

AMI Emp FCU  
Aneca FCU  
New Orleans Bag

### MAINE

Gen Maine Power Co<sup>x</sup>

### MARYLAND

NIH FCU  
Suburban Hospital

### MASSACHUSETTS

Cape Cod FCU  
PCU Federal CU  
Worcester Central

### MICHIGAN

ABC Federal CU  
ACM Employees CU  
ARC CU  
Bay County EFCU  
Blue Water FCU  
Comm Family CU  
Copoco CU  
Dearborn FCU  
Det Marathon  
Det Postal Emp  
Det Teachers CU  
DT & I Emp CU  
E Cent Upper Penin  
East Det Sch Emp  
Genesee Cnty Emp  
Hamtramck Comm FCU  
Kramer Homes FCU  
Livonia Par FCU  
Marquette 1st FCU  
Portland FCU  
Roseville-Fraser  
Saginaw Cp Emp CU  
Shaw Box Emp FCU

State Emp CU  
T & C Federal CU  
Un Steelwks of AM  
VanDyke Ind Pk CU  
W Side Auto Emp CU  
Wayne Out Cnty Tea

### MINNESOTA

No Pacific Duluth  
State Farm FCU  
Workmens Circle CU

### MISSISSIPPI

Central Sunbelt

### MISSOURI

BMA CU  
Sears K C Emp

### MONTANA

Valley CU

### NEBRASKA

Nebraska State Emp

### NEW HAMPSHIRE

Nashua Municipal  
Service FCU  
St Marys Bank CU

### NEW JERSEY

Atl Cty Elec Co  
Celanese Summit  
E Bergen Teach FCU  
Educational  
Erielackawanna EFCU  
Ft Monmouth Fed CU  
H L R FCU  
Harrison Pol Firm  
Hoboken Sch EFCU  
J-M Emp CU  
Jersey City Firemen  
Jersey City Police  
Local 3355 USA CIO  
McGuire Publ EFCU  
Metuchen Assembler  
Mobil Research  
Mon-Oc Public EFCU  
Nassau Fed CU  
Nestles Freehold  
North Jersey FCU  
Portuguese Cont  
S Jersey FCU  
Trenton NJ Firemen  
Union Cnty Teacher  
United Teletch FCU  
Wenewark FCU

### NEW MEXICO

Espanola School  
Los Alamos CU

**NEW YORK**

Amherst Teachers  
 BCT FCU  
 Bi-County Postal  
 Brighton Sch EFCU  
 Buffalo Police FCU  
 Carrier Emp FCU  
 Chemung City School  
 Cornell FCU  
 Genesee Hospital  
 Graphic Arts FCU  
 Hilltop FCU  
 Hoosick FCU  
 Hudson Riv Ctr FCU  
 IBM Interstate FCU  
 Intl Airlines Emp FCU  
 Italo-American FCU  
 Lge of Mutual Taxi  
 MSBA EFCU  
 Municipal CU  
 NMP No Area FCU  
 No Rock Educat FCU  
 Norwich Eaton EFCU  
 Oneida Ltd EFCU  
 Orchard Pk FCU  
 Pittsford FCU  
 Plattsburg AFB  
 Port NY Authority  
 Rochester UK FCU  
 School Emp of Cny  
 Suffolk FCU  
 Suma (Yonkers) FCU  
 TCT Fed CU  
 Telco Wat EFCU  
 UFCW Dist Local One  
 UP State Federal CU  
 US Employees FCU  
 Watervliet ARS FCU  
 WCS FCU  
 WCTA FCU  
 Whitestown Comm FCU

**NORTH CAROLINA**

Hamlet Schl Emp FCU  
 Rowan Cty Teachers  
 TWIU Local 192 FCU

**NORTH DAKOTA**

AFL-CIO Credit Un  
 LHHS FCU

**OHIO**

Auto Access CU  
 Bellevue  
 Celina Reynoco Emp  
 Cincinn Cent CU  
 Cincinnati Postal  
 Cinco FCU  
 Dayton Emp FCU  
 Dayton Telco FCU  
 Dinner Bell EFCU

Emery Emp FCU  
 EOG Cleveland Oper  
 Firestone Off FCU  
 First Service FCU  
 Fremont FCU  
 Golden Circle CU  
 Ironton DMI Emp  
 KOD Toys FCU  
 Lan-Fair FCU  
 Lof Emp FCU  
 McDonald EFCU  
 Merrell Emp FCU  
 Norwood FCU  
 Oneils Strouss  
 Paramauto FCU  
 Southern Oh Sav CU Inc  
 St. Marys CU Inc  
 St Saviour Ros FCU  
 St Trans Emp CU  
 T & C CU Inc  
 Tol-Sun FCU  
 Tresler Emp FCU  
 United Services  
 Whiting FCU  
 Wittenberg Univ  
 Yel Spr Comm FCU  
 Youngstown Gr Ws FCU

**OKLAHOMA**

Phillipps Oc Dist  
 Riverwest FCU  
 Space Age Tulsa

**OREGON**

Clackamus FCU  
 Coos Curry Teac  
 Electra CU  
 Fed Metals CU  
 Marion & Polk CU  
 NW Frms Ins FCU  
 Oregon Central FCU  
 Rockwood Ind FCU  
 Safeway Portland  
 Wood Products CU

**PENNSYLVANIA**

Boyer Candy EFCU  
 Cal Ed CU  
 Dauco FCU  
 Elliot Emp #1  
 Erie GE Emp FCU  
 Erie School Emp  
 Mack Local 677 FCU  
 NE Pa School Emp  
 Nor-Car School  
 Pa State Empl CU  
 The United FCU  
 Univ of Pitts FCU  
 W E Allen FCU  
 Westmoreland Fed

**RHODE ISLAND**

Credit Union Central Falls  
 Twin City CU  
 Wood Lawn CU

**SOUTH CAROLINA**

Meas Beaufort FCU

**SOUTH DAKOTA**

Services Center

**TENNESSEE**

Combustion FCU  
 King Cotton FCU  
 Memphis Buckey FCU  
 Nashville Kemba FCU  
 Oak Ridge Govt Emp  
 Wiltruco Emp FCU

**TEXAS**

Case FCU  
 Horsemen's CU  
 Lubbock Teach FCU  
 Santa Rosa Med Ctr  
 Texaco Emp FCU

**UTAH**

Hi-Land CU  
 Orem Geneva FCU  
 Toole FCU

**VERMONT**

New Eng IBM EFCU

**VIRGINIA**

Fairfax School  
 Langley FCU  
 NNS & DD Co Emp  
 Norfolk Municipal  
 Pentagon FCU  
 Reymont EFCU  
 Sperry Marin EFCU  
 State Department  
 Vint Hill FCU  
 Waynesboro Dupont

**WASHINGTON**

Alva FCU  
 Fairchild FCU  
 Fife Community FCU  
 Simpson Emp FCU  
 Walla Walla Engin  
 Wayerhaeuser Pulp

**WEST VIRGINIA**

Huntington WV Fire  
 Steel Wkrs Comm

**WISCONSIN**

Heritage  
 Waupaca Area CU



# NATIONAL CREDIT UNION ADMINISTRATION

## REGIONAL OFFICES

### Region I (Albany)

Regional Director, Region I (Albany)  
National Credit Union Administration  
9 Washington Square  
Washington Avenue Extension  
Albany, New York 12205  
FTS (8) 562-4554  
Commercial (518) 472-4554

Connecticut	New York
Maine	Puerto Rico
Massachusetts	Rhode Island
New Hampshire	Vermont
New Jersey	Virgin Islands

### Region II (Capital)

Regional Director, Region II (Capital)  
National Credit Union Administration  
1776 G Street, N.W., Suite 800  
Washington, D.C. 20006  
Commercial (202) 682-1900

Delaware	Pennsylvania
District of Columbia	Virginia
Maryland	West Virginia

### Region III (Atlanta)

Regional Director, Region III (Atlanta)  
National Credit Union Administration  
1365 Peachtree Street, Suite 540  
Atlanta, Georgia 30367  
FTS (8) 257-3127  
Commercial (404) 347-3127

Alabama	Louisiana
Arkansas	Mississippi
Florida	North Carolina
Georgia	South Carolina
Kentucky	Tennessee

### Region IV (Chicago)

Regional Director, Region IV (Chicago)  
National Credit Union Administration  
230 South Dearborn, Suite 3346  
Chicago, Illinois 60604  
FTS (8) 886-9697  
Commercial (312) 886-9697

Illinois	Missouri
Indiana	Ohio
Michigan	Wisconsin

### Region V (Austin)

Regional Director, Region V (Austin)  
National Credit Union Administration  
4807 Spicewood Springs Road  
Stillhouse Canyon, Building 5  
Austin, Texas 78759  
Commercial (512) 482-4500

Sioux City Sub Office  
320 6th Street  
Suite 202  
Sioux City, Iowa 51101  
FTS (8) 862-3233  
Commercial (712) 233-3233

Arizona	Nebraska	South Dakota
Colorado	New Mexico	Texas
Iowa	North Dakota	Utah
Kansas	Oklahoma	Wyoming
Minnesota		

### Region VI (Walnut Creek)

Regional Director, Region VI (Walnut Creek)  
National Credit Union Administration  
2890 North Main Street, Suite 101  
Walnut Creek, California 94596  
FTS (8) 449-3490  
Commercial (415) 486-3490

Alaska	Hawaii
American Samoa	Montana
California	Nevada
Guam	Oregon
Idaho	Washington





