
Board Action Bulletin



Prepared by the Office of Public & Congressional Affairs

NCUA BOARD ACTIONS TAKEN JULY 31, 2003

18 percent loan interest rate ceiling extended

The NCUA Board voted to extend the 18 percent loan interest rate ceiling for 18 months, through March 8, 2005. Without this action, the 18 percent ceiling would revert to 15 percent September 9, 2003. A 15 percent ceiling would adversely impact a number of credit unions and their members, particularly smaller credit unions that tend to have higher levels of unsecured loans and credit unions that offer risk-based lending such as *credit builder* or *credit rebuilder* loans designed to assist members establish or reestablish solid credit histories.

Congress has imposed a loan interest rate ceiling since 1934. In 1980, Congress set the ceiling at 15 percent and authorized the NCUA Board to set a ceiling above 15 percent if conditions warrant.

Fund equity level is 1.22 percent at mid-year 2003

At June 30, the Share Insurance Fund equity level was 1.22 percent based on projected insured share growth of 7 percent in the first six months of 2003. Gross income in the Fund was \$84.6 million, operating expenses were \$41.5 million, insurance losses were \$14.1 million and net income was \$29.0 million.

Seven credit unions failed through June 2003, and the number of problem code credit unions has declined to 206. Net income is projected to be \$55 million at yearend 2003, and it's expected the Fund will end the year with a 1.25 percent equity level.

NCUA predicts 2.31 percent budget decline in 2003

A mid-session budget review indicates NCUA's 2003 budget will be 2.31 percent or \$3,376,948 below projections because of lower operating costs primarily due to the number of vacant positions.

The following chart looks at the original 2003 approved budget and the revised budget along with projected expeditors and percentage of change.

2003 NCUA Budget

| | Board Approved Budget | Revised Budget Needs | Change | %Change |
|-------------------------------|------------------------------|------------------------------|------------------------------|----------------------|
| Employee Pay | \$ 88,882,054 | \$ 85,045,253 | \$ (3,836,801) | -4.32% |
| Employee Benefits | 21,857,941 | 20,796,134 | (1,061,807) | -4.86% |
| Travel | 12,778,288 | 11,728,523 | (1,049,765) | -8.22% |
| Rent/Communications/Utilities | 4,397,835 | 4,492,405 | 94,570 | 2.15% |
| Administrative | 11,379,258 | 9,346,612 | (2,032,646) | -17.86% |
| Contracted Services | 6,784,334 | 7,287,438 | 503,104 | 7.42% |
| Subtotal | <u>\$ 146,079,710</u> | <u>\$ 138,696,365</u> | <u>\$ (7,383,345)</u> | <u>-5.05%</u> |
| Reorganization | - | 4,006,397 | 4,006,397 | 100.00% |
| Total | <u><u>\$ 146,079,710</u></u> | <u><u>\$ 142,702,762</u></u> | <u><u>\$ (3,376,948)</u></u> | <u><u>-2.31%</u></u> |

The most significant mid-year budget adjustments include --

- **\$4,938,608** decrease in employee pay and benefits due to retirements and 38 vacancies;
- **\$1,019,765** decrease in travel costs, with the majority of the decrease coming from Regions 4 and 6;
- **\$200,000** decrease in interest expense for the King Street building note due to lower interest rates;
- **\$1,750,001** decrease in relocation expenses based on historical actual spending patterns;
- **\$294,814** expenditures for the following security related items:
 - \$89,314 for access control panel upgrade for existing card readers;
 - \$18,000 for additional card readers on doors and service elevators;
 - \$105,000 for installation of an access control system;
 - \$40,000 for an x-ray machine in the loading dock area;
 - \$5,000 for a magnetometer in the lobby; and
 - \$37,500 for smart cards with access antennas.
- **\$4,006,397** in expected realignment costs. A breakdown of projected major expenses includes:
 - \$2,357,159 for Regions 4 and 6 relocation costs for 26 persons;
 - \$422,198 for Regions 1, 2, 3, 4, 6 detail assignments and travel;
 - \$226,904 for Region 4 and 6 severance pay for involuntarily separated employees;
 - \$214,396 in unemployment benefits for Region 4 and 6 employees who are separated; and
 - \$478,179 in lease cancellation fees.

Votes are unanimous unless otherwise indicated.