


NCUA



1984

ANNUAL REPORT

March 29, 1985

Dear Mr. President:

I write this letter transmitting our 1984 Annual Report with mixed emotions. I know it will be my last opportunity to report to you as Chairman of the National Credit Union Administration. There is the sadness of leaving a dynamic and winning team dedicated to the principles of this administration. But on the other hand, there is the realization that our job here has been done and it is time to move on.

With the **capitalization of the National Credit Union Share Insurance Fund** completed just two months ago, our remaining regulatory initiative was put in place. The voluntary contribution to their Insurance Fund by our nation's credit unions not only benefited the country as a whole through a significant reduction in the deficit, but it gave credit unions the strongest of the federal deposit insurance funds. This action completes a dramatic reshaping and reduction in government's role in the credit union movement to focus our efforts only on the critical supervisory areas necessary to ensure safety and soundness. The creative business decisions so vital in the highly competitive financial arena are now in the hands of the 150,000 volunteer decision makers who comprise the boards of directors of the 15,000 federally insured credit unions. It is their collective wisdom which has achieved the remarkable record I will relate shortly and which gives credit unions the best opportunity to meet future challenges.

Consistent with your philosophy, the initiatives of the past three and a half years which are now in place are as follows:

- **Deregulation** of credit union shares and loan activity has been completed to the maximum extent possible consistent with safety and soundness.
 - **Supervision** has been greatly increased to maximize the responsibility of the Agency and to respond to the challenges of deregulation. Every credit union is now examined each year. Financial Performance Reports give credit unions valuable and timely indicators of their management skills. NCUA toll-free hotlines enable credit unions to stay current on the latest events affecting them and to avoid questionable investment activities.
 - **Decentralization** of the Agency's resources and responsibilities to our six regional offices has enabled us to be more flexible and responsive to individual credit unions. For example, closer supervision has resulted in a dramatic reduction in the number of problem-code credit unions, down 22% in 1984 to the lowest level in three years.
 - **Communication** lines have been further opened by taking the NCUA Board meetings to cities around the country; by holding open forums where credit union officials and press can talk to Agency personnel; and by conducting the first ever National Examiners' Conference which included all federal and state examiners as well as 1,500 credit union officials.
 - **Membership** policies were reviewed and adjusted to meet changes in the economy and to return the responsibility for decisions of whom to serve to each credit union board. Groups previously not served by credit unions were made eligible for membership. During 1984, credit union membership surpassed 50 million.
 - **Cost Reduction** within the Agency has been a continuing priority and the federal credit union operating fee scale has been slashed 64% over the past three years.
 - **Central Liquidity Facility (CLF)**, the central bank for credit unions, was voluntarily capitalized. Now every credit union has access to a government managed lender particularly sensitive to its needs and prepared to meet any unexpected liquidity crisis.
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With the components of the credit union system in place and with credit unions free to create their own solutions to service and competitive pressures, 1984 became a showcase within which to observe the credit union phenomenon. In total contrast to other financial institutions, credit unions experienced spectacular gains in financial soundness and growth. I have been asked by members of Congress to explain this incongruity. I reply that credit unions were born in adversity; they sprang up during the depression; they flourished during World War II; and they have adapted remarkably to every set of economic circumstances since. When left alone, they return to what they do best: providing basic financial services to their members on the most convenient and cost-effective terms possible. The only threat to credit unions is the bureaucratic tendency to treat them, for convenience sake, the same as banks and savings and loans. This is a mistake, for they are made of a different fabric. It is a fabric woven tightly by thousands of volunteers, sponsoring companies, credit union organizations and NCUA—all working together.

In 1984, the future of credit unions was returned to the hands of its proper owners. Credit union boards of directors have made, and will continue to make, individual and collective decisions from their vantage point on the front lines of the marketplace. The industry has crossed the \$100 billion level; loans are up dramatically, with a 44% rise in the past two years; and problem credit unions are down to a most manageable number. The stage is set for tremendous initiatives in the credit union private sector. I look forward to the excitement of becoming a part of these growing successes.

Thank you for the opportunity to serve.

Sincerely,

A handwritten signature in cursive script that reads "E. F. Callahan". The signature is written in black ink and is positioned above the typed name.

E. F. Callahan
Chairman

1984 NCUA Highlights

Federal Credit Unions' 1984 Performance

(in millions)	1983	1984	Percent Change
Loans	\$33,201	\$42,132	26.9%
Shares	\$49,891	\$57,927	16.1%
Assets	\$54,482	\$63,658	16.8%
Net Income	\$283	\$476	67.8%
Members	26,800	28,100	5.1%

February 1, 1984:

NCUA Central Liquidity Facility is fully capitalized under a history making agreement between the CLF and U. S. Central Credit Union. More than 18,000 natural person credit unions now belong to the CLF either directly or through the corporate credit union system and have access to a permanent source of backup liquidity.

February 10, 1984:

The credit union stamp, which commemorates the 50th anniversary of the passage of the Federal Credit Union Act, is dedicated in Salem, Massachusetts. Postmaster General William Bolger said the stamp "honors all who have labored to make the credit union movement such a splendid and enduring success."

March 14, 1984:

Convinced that better trained examiners and better communication are essential in a deregulated financial environment, NCUA announces plans for the first combined conference of federal and state examiners and credit union officials.

March 22, 1984:

NCUA Board approves a revised investment regulation that expands the investment activities permissible for FCUs.

May 29, 1984:

NCUA unveils toll-free "investment hotline" to answer questions regarding FCU investments and to help NCUA prevent rather than react to potential problem investments.

June 18, 1984:

President Reagan issues Federal Credit Union Week 1984 Proclamation in which he says credit unions "exemplify the traditional American values of thrift, self-help and voluntarism."

June 26, 1984:

NCUA and credit unions celebrate the 50th anniversary of the Federal Credit Union Act with a series of events, including a Board meeting, "old timers' gathering" and reception.

June 26, 1984:

A major study of NCUA's field of membership policy concludes that further deregulation would better serve the needs and interests of credit unions and their members and that NCUA should continue its paced deregulation.

July 18, 1984:

President Reagan signs bill enabling credit unions to capitalize the National Credit Union Share Insurance Fund with a deposit of 1% of insured shares. The capitalization measure is part of the Deficit Reduction Act of 1984.

July 25, 1984:

NCUA Board extends FCU 21% loan rate ceiling through January 25, 1986 so that FCUs will have flexibility to respond to changes in market interest rates.

July 25, 1984:

NCUA Board approves a fiscal year 1985 budget that is 4.9% below the Agency's 1984 budget. This is the third consecutive year the budget was cut and is the largest reduction to date.

July 31, 1984:

Credit union membership, which had leveled in recent years, topped 50 million in July, an increase of more than 5% over the comparable 1983 level.

August 21, 1984:

NCUA reports FCU growth surged at mid-year. FCU lending skyrocketed 28.5% in the 12-month period ended June 30, and FCU savings soared 19.3% over the same period.

September 28, 1984:

NCUA announces the National Examiners' Conference has sold out after receiving registrations at the rate of over 100 a week.

September 30, 1984:

NCUA Share Insurance Fund receives an unqualified, or "clean" opinion on its 1984 financial statements from an outside auditor, a first for a federal deposit insurance fund. The two other funds managed by NCUA, the NCUA Central Liquidity Facility and the NCUA operating fund, also received unqualified opinions on their 1984 financial statements from the external auditor.

October 9, 1984:

Rules to implement the NCUSIF capitalization legislation, making the NCUSIF the strongest of the three federal insurance funds, are adopted by NCUA. The Board waived the 1985 annual premium and authorized the NCUSIF to distribute back to insured credit unions \$86.5 million or that portion of the current NCUSIF equity that exceeds .3% of year-end 1983 insured shares.

October 15, 1984:

NCUA Vice Chairman P. A. Mack, Jr. is sworn in for an unprecedented second term on the NCUA Board at a ceremony at Construction Equipment FCU, Peoria, Illinois. Mr. Mack, a charter member of the NCUA Board, is the only Board member appointed by two presidents—President Reagan in 1984 and President Carter in 1979.

November 15, 1984:

NCUA Board slashes FCU operating fee scale 24%. It is the third straight year for fee scale cuts, bringing the cumulative total to 64%. The cut saves FCUs more than \$4.3 million in 1985 and has saved them \$14 million since 1983, the first year in NCUA's history that the fee scale was cut.

November 15, 1984:

NCUA Board adopts retirees' policy, which makes it easier for associations of senior citizens and retirees to enjoy the benefits of credit union membership.

December 10, 1984:

NCUA opens first National Examiners Conference in Las Vegas, Nevada, a week-long series of educational panels and workshops. More than 2500 federal and state examiners and credit union officials gathered together for the first time to share experience and expertise. ●