§ 702.101 Measures and effective date of net worth classification

(a) Net worth measures. For purposes of this part, a credit union must determine its net worth category classification at the end of each calendar quarter using two measures:

(b) New credit union means a federally-insured credit union which both has been in operation for less than ten (10) years and has $10,000,000 or less in total assets.

(i) Senior executive officer means a senior executive officer as defined by 12 CFR 701.14(b)(2).

(j) Shares means deposits, shares, share certificates, share drafts, or any other depository account authorized by federal or state law.

(k) Total assets. (1) Total assets means a credit union’s total assets as measured by either—

(ii) Average quarterly balance. The average of quarter-end balances of the current and three preceding calendar quarters; or

(iii) Average monthly balance. The average of month-end balances over the three calendar months of the calendar quarter; or

(iv) Average daily balance. The average daily balance over the calendar quarter; or

(l) Weighted-average life means the weighted-average time to the return of a dollar of principal, calculated by multiplying each portion of principal received by the time at which it is expected to be received (based on a reasonable and supportable estimate of that time), and then summing and dividing by the total amount of principal.

(1) The net worth ratio as defined in §702.2(g); and
(2) If determined to be applicable under §702.103, a risk-based net worth requirement.

(b) Effective date of net worth classification. For purposes of this part, the effective date of a federally-insured credit union’s net worth category classification shall be the most recent to occur of:

(1) Quarter-end effective date. The last day of the calendar month following the end of the calendar quarter; or
(2) Corrected net worth category. The date the credit union received subsequent written notice from NCUA or, if State-chartered, from the appropriate State official, of a decline in net worth category due to correction of an error or misstatement in the credit union’s most recent Call Report; or
(3) Reclassification to lower category. The date the credit union received written notice from NCUA or, if State-chartered, the appropriate State official, of reclassification on safety and soundness grounds as provided under §§702.102(b) or 702.302(d).

(c) Notice to NCUA by filing Call Report. (1) Other than by filing a Call Report, a federally-insured credit union need not notify the NCUA Board of a change in its net worth ratio that places the credit union in a lower net worth category;
(2) Failure to timely file a Call Report as required under this section in no way alters the effective date of a change in net worth classification under this paragraph (b) of this section, or the affected credit union’s corresponding legal obligations under this part.

§702.102 Statutory net worth categories.

(a) Net worth categories. Except for credit unions defined as “new” under subpart B of this part, a federally-insured credit union shall be classified (Table 1)—

(1) Well capitalized if it has a net worth ratio of seven percent (7%) or greater and also meets any applicable risk-based net worth requirement under §§702.103 through 702.108; or
(2) Adequately capitalized if it has a net worth ratio of six percent (6%) or more but less than seven percent (7%), and also meets any applicable risk-based net worth requirement under §§702.103 through 702.108; or
(3) Undercapitalized if it has a net worth ratio of four percent (4%) or more but less than six percent (6%), or fails to meet any applicable risk-based net worth requirement under §§702.103 through 702.108; or
(4) Significantly undercapitalized if it
(i) Has a net worth ratio of two percent (2%) or more but less than four percent (4%); or
(ii) Has a net worth ratio of four percent (4%) or more but less than five percent (5%), and either—
(A) Fails to submit an acceptable net worth restoration plan within the time prescribed in §702.206; or
(B) Materially fails to implement a net worth restoration plan approved by the NCUA Board; or
(5) Critically undercapitalized if it has a net worth ratio of less than two percent (2%).