§ 702.103  Applicability of risk-based net worth requirement.

For purposes of §702.102, a credit union is defined as “complex” and a risk-based net worth requirement is applicable only if the credit union meets both of the following criteria as reflected in its most recent Call Report:

(a) Minimum asset size. Its quarter-end total assets exceed ten million dollars ($10,000,000); and

(b) Minimum RBNW calculation. Its risk-based net worth requirement as calculated under §702.106 exceeds six percent (6%).

[65 FR 44966, July 20, 2000, as amended by 67 FR 13464, Mar. 19, 2002; 67 FR 71088, Nov. 29, 2002]

§ 702.104  Risk portfolios defined.

A risk portfolio is a portfolio of asset, liabilities, or contingent liabilities as specified below, each expressed as a percentage of the credit union’s quarter-end total assets reflected in its most recent Call Report, rounded to two decimal places (Table 2):

(a) Long-term real estate loans. Total real estate loans and real estate lines of credit outstanding, exclusive of

(b) Reclassification based on supervisory criteria other than net worth. The NCUA Board may reclassify a “well capitalized” credit union as “adequately capitalized” and may require an “adequately capitalized” or “undercapitalized” credit union to comply with certain mandatory or discretionary supervisory actions as if it were in the next lower net worth category (each of such actions hereinafter referred to generally as “reclassification”) in the following circumstances:

(1) Unsafe or unsound condition. The NCUA Board has determined, after notice and opportunity for hearing pursuant to §747.2003 of this chapter, that the credit union is in an unsafe or unsound condition; or

(2) Unsafe or unsound practice. The NCUA Board has determined, after notice and opportunity for hearing pursuant to §747.2003 of this chapter, that the credit union has not corrected a material unsafe or unsound practice of which it was, or should have been, aware.

(c) Non-delegation. The NCUA Board may not delegate its authority to reclassify a credit union under paragraph (b) of this section, and shall promptly notify the appropriate State official of its decision to reclassify.

§ 702.105 Weighted-average life of investments.

Except as provided below (Table 3), the weighted-average life of an investment for purposes of §§ 702.106(c) and 702.107(c) is defined pursuant to § 702.2(m):

(a) Registered investment companies and collective investment funds. (1) For investments in registered investment companies (e.g., mutual funds) and collective investment funds, the weighted-average life is defined as the maximum weighted-average life disclosed, directly or indirectly, in the prospectus or trust instrument;

(2) For investments in money market funds, as defined in 17 CFR 270.2a–7, and collective investment funds operated in accordance with short-term investment fund rules set forth in 12 CFR...