§ 702.302 Net worth categories for new credit unions.

(a) Net worth measures. For purposes of this part, a new credit union must determine its net worth category classification quarterly according to its net worth ratio as defined in §702.2(g).

(b) Effective date of net worth classification of new credit union. For purposes of subpart C, the effective date of a new federally-insured credit union’s classification within a net worth category in paragraph (c) of this section shall be determined as provided in §702.101(b); and written notice to the NCUA Board of a decline in net worth category in paragraph (c) of this section shall be given as required by section 702.101(c).

(c) Net worth categories. A federally-insured credit union defined as “new” under this section shall be classified—

1. Well capitalized if it has a net worth ratio of seven percent (7%) or greater;
2. Adequately capitalized if it has a net worth ratio of six percent (6%) or more but less than seven percent (7%);
3. Moderately capitalized if it has a net worth ratio of three and one-half percent (3.5%) or more but less than six percent (6%);
4. Marginally capitalized if it has a net worth ratio of two percent (2%) or more but less than three and one-half percent (3.5%);
5. Minimally capitalized if it has a net worth ratio of zero percent (0%) or greater but less than two percent (2%); and
6. Uncapitalized if it has a net worth ratio of less than zero percent (0%) (e.g., a deficit in retained earnings).

(d) Reclassification based on supervisory criteria other than net worth. Subject to §702.102(b) and (c), the NCUA Board may reclassify a “well capitalized,” “adequately capitalized” or “moderately capitalized” new credit union to the next lower net worth category (each of such actions is herein-after referred to generally as “reclassification”) in either of the circumstances prescribed in §702.102(b).
(e) Consultation with State officials. The NCUA Board shall consult and seek to work cooperatively with the appropriate State official before reclassifying a federally-insured State-chartered credit union under paragraph (d) of this section, and shall promptly notify the appropriate State official of its decision to reclassify.


§ 702.303 Prompt corrective action for "adequately capitalized" new credit unions.

Beginning on the effective date of classification, an "adequately capitalized" new credit union must increase the dollar amount of its net worth by the amount reflected in its approved initial or revised business plan in accordance with §702.304(a)(2), or in the absence of such a plan, in accordance with §702.201, and quarterly transfer that amount from undivided earnings to its regular reserve account, until it is "well capitalized."

[67 FR 71092, Nov. 29, 2002]

§ 702.304 Prompt corrective action for "moderately capitalized," "marginally capitalized" or "minimally capitalized" new credit unions.

(a) Mandatory supervisory actions by new credit union. Beginning on the date of classification as "moderately capitalized," "marginally capitalized" or "minimally capitalized" (including by reclassification under §702.302(d)), a new credit union must—

(1) Earnings retention. Increase the dollar amount of its net worth by the amount reflected in its approved initial or revised business plan and quarterly transfer that amount from undivided earnings to its regular reserve account;

(2) Submit revised business plan. Submit a revised business plan within the time provided by §702.306 if the credit union either:

(i) Has not increased its net worth ratio consistent with its then-present approved business plan;

(ii) Has no then-present approved business plan; or

(iii) Has failed to comply with paragraph (a)(3) of this section; and

(3) Restrict member business loans. Not increase the total dollar amount of member business loans (defined as loans outstanding and unused commitments to lend) as of the preceding quarter-end unless it is granted an exception under 12 U.S.C. 1757a(b).

(b) Discretionary supervisory actions by NCUA. Subject to the applicable procedures set forth in subpart L of part 747 of this chapter for issuing, reviewing and enforcing directives, the NCUA Board may, by directive, take one or more of the actions prescribed in §702.204(b) if the credit union’s net worth ratio has not increased consistent with its then-present business plan, or the credit union has failed to undertake any mandatory supervisory action prescribed in paragraph (a) of this section.

(c) Discretionary conservatorship or liquidation. Notwithstanding any other actions required or permitted to be taken under this section, the NCUA Board may place a new credit union which is "moderately capitalized," "marginally capitalized" or "minimally capitalized" (including by reclassification under §702.302(d)) into conservatorship pursuant to 12 U.S.C. 1786(h)(1)(F), or into liquidation pursuant to 12 U.S.C. 1787(a)(3)(A)(i), provided that the credit union has no reasonable prospect of becoming "adequately capitalized."

[65 FR 8584, Feb. 18, 2000, as amended at 67 FR 71093, Nov. 29, 2002]

§ 702.305 Prompt corrective action for "uncapitalized" new credit unions.

(a) Mandatory supervisory actions by new credit union. Beginning on the effective date of classification as "uncapitalized," a new credit union must—

(1) Earnings retention. Increase the dollar amount of its net worth by the amount reflected in the credit union’s approved initial or revised business plan;

(2) Submit revised business plan. Submit a revised business plan within the time provided by §702.306, providing for alternative means of funding the credit union’s earnings deficit, if the credit union either: