

**DEFINITION OF RISK ASSETS**  
**From NCUA Rules in place as of Statute Revision ORS 723.631(4)**

§ 700.1 Definitions.

As used in this chapter:

(a) “Act” means the Federal Credit Union Act (73 Stat. 628, 84 Stat. 944, 12 U.S.C. 1751-1795(k)).

(b) “Administration” means the National Credit Union Administration.

(c) “Board” means the National Credit Union Administration Board.

(d) “Credit Union” means a credit union chartered under the Federal Credit Union Act or, as the context permits, under the laws of any State.

(e) “Regional Director” means the representative of the Administration in the designated geographical area in which the office of the Federal credit union is located.

(f) “Regional Office” means the office of the Administration located in the designated geographical area in which the office of the Federal credit union is located.

(g) “State” means a State of the United States, the District of Columbia, any of the several Territories and possessions of the United States and the Commonwealth of Puerto Rico.

(h) “Remaining maturity” is the time period from the date of the required reserve transfer to the stated date of maturity of the instrument.

(i) For the purpose of establishing the reserves required by Section 116 of the Federal Credit Union Act, all assets except the following shall be considered risk assets:

(1) Cash on hand.

(2) Deposits and/or shares in federally or state-insured banks, savings and loan associations, and credit unions that have a remaining maturity of 5 years or less.

(3) Assets that have a remaining maturity of 5 years or less and are insured by, fully guaranteed as to principal and interest by, or due from the U.S. Government, its agencies, the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. Collateralized mortgage obligations that are comprised of government guaranteed mortgage loans shall be included in this asset category.

(4) Loans to other credit unions that have a remaining maturity of 5 years or less.

(5) Student loans insured under the provisions of Title IV, Part B of the Higher Education Act of 1965 (20 U.S.C. 1071, et seq.) or similar state insurance programs that have a remaining maturity of 5 years or less.

(6) Loans that have a remaining maturity of 5 years or less and are fully insured or guaranteed by the Federal or a state government or any agency of either.

(7) Shares or deposits in a corporate credit union that have a remaining maturity of 5 years or less, other than Membership Capital Share Deposit accounts as defined in Part 704. A corporate credit union is defined as a credit union that:

(i) Is operated primarily for the purpose of serving other credit unions;

(ii) Is designated by the National Credit Union Administration as a corporate credit union, and

(iii) Limits natural person members to the minimum required by state or federal law to charter and operate the credit union.

(8) Common trust investments, including mutual funds, which deal exclusively in investments authorized by the Federal Credit Union Act that are either carried at the lower cost or market, or are marked to market value monthly.

(9) Prepaid expenses.

(10) Accrued interest on non-risk investments.

(11) Loans fully secured by a pledge of shares in the lending Federal credit union, equal to and maintained to at least the amount of the loan outstanding.

(12) Loans which are purchased from liquidating credit unions and guaranteed by the National Credit Union Administration.

(13) National Credit Union Share Insurance Fund Guaranty Accounts established with the authorization of the National Credit Union Administration under the authority of Section 208(a)(1) of the Federal Credit Union Act.

(14) Investments in shares of the National Credit Union Administration Central Liquidity Facility.

(15) Assets included in numbered items 2, 3, 4, 5, 6, and 7 with maturities greater than 5 years are exempt from risk assets if the asset is being carried on the credit union's records at the lower of cost or market, or are being marked to market value monthly.

(16) Assets included in numbered items 2, 3, 4, 5, 6, and 7 with remaining maturities greater than 5 years are exempt from risk assets provided they meet the following criteria, irrespective of whether or not the asset is being carried on the credit union's records at the lower of cost or market, or are being marked to market value monthly:

(i) The interest rate is reset at least annually.

(ii) The interest rate of the instrument is less than the maximum allowable interest rate for the instrument on the date of the required reserve transfer.

(iii) The interest rate of the instrument varies directly (not inversely) with the index upon which it is based and is not reset as a multiple of the change in the related index.

(17) Fixed Assets as defined in Section 701.36(b).

(18) Deposit in the National Credit Union Share Insurance Fund representing a federally insured credit union's capitalization account balance of one percent of insured shares.

(j)(1) Insolvency. A credit union will be determined to be insolvent when the total amount of its shares exceeds the present cash value of its assets after providing for liabilities unless:

(i) It is determined by the Board that the facts that caused the deficient share-asset ratio no longer exist; and

(ii) The likelihood of further depreciation of the share-asset ratio is not probable; and

(iii) The return of the share-asset ratio to its normal limits within a reasonable time for the credit union concerned is probable; and

(iv) The probability of a further potential loss to the insurance fund is negligible.

(2) For purposes of this section, the following definitions are used:

(i) "Cash value of assets." Recorded value will be considered the cash value of any asset account providing accepted accounting principles and practices are followed and the provisions of law, regulation, and bylaws are net.

(ii) "Liabilities." Recorded liabilities which are due and payable, excluding shares of members and nonmembers, are considered liabilities.

(k) For purposes of determining the amount required to be transferred to regular reserves under Sections 116 and 201(b)(6) of the Federal Credit Union Act, "gross income" means the total of the operating income accounts reduced by the following.

(1) Dividends received on shares in the National Credit Union Administration Central Liquidity Facility;

(2) Dividends received by credit unions on special share accounts held in Agent members of the Central Liquidity Facility authorized by § 725.7 of this chapter; and

(3) Interest received by an Agent member of the Central Liquidity Facility to the extent of interest paid to the Facility by the Agency member. In the case of an Agent member of the Central Liquidity Facility that is a group of central credit Unions –

(i) Interest received by the Agent group representative, as defined in § 725.1(b) of the chapter, to the extent of interest paid to the Facility by the Agent group representative; and

(ii) Interest received by each central credit union in the Agent group (other than the Agent group representative) to the extent of interest paid by each such central credit union to the Agent group representative on Agent group representative loans, as defines in § 725.1(b) of this chapter. Nonoperating gains and losses are not included in gross income.

January 1994