(a) **Appropriate regional director** means the director of the NCUA regional office having jurisdiction over federally-insured credit unions in the state where the affected credit union is principally located.

(b) **Appropriate State official** means the commission, board or other supervisory authority having jurisdiction over credit unions chartered by the State which chartered the affected credit union.

(c) **Credit union** means a federally-insured, natural person credit union, whether federally- or State-chartered, as defined by 12 U.S.C. 1752(6).

(d) **CUSO** means a credit union service organization as described in 12 CFR 712 et seq. for federally-chartered credit unions, and as defined under State law for State-chartered credit unions.

(e) **NCUSIF** means the National Credit Union Share Insurance Fund as defined by 12 U.S.C. 1783.

(f) **Net worth** means (1) The retained earnings balance of the credit union at quarter-end as determined under generally accepted accounting principles, subject to paragraph (f)(3) of this section. Retained earnings consists of undivided earnings, regular reserves, and any other appropriations designated by management or regulatory authorities;

(2) For a low income-designated credit union, net worth also includes secondary capital accounts that are uninsured and subordinate to all other claims, including claims of creditors, shareholders and the NCUSIF; and

(3) For a credit union that acquires another credit union in a mutual combination, net worth includes the retained earnings of the acquired credit union, or of an integrated set of activities and assets, at the point of acquisition. A mutual combination is a transaction in which a credit union acquires another credit union, or acquires an integrated set of activities and assets that is capable of being conducted and managed as a credit union.

(g) **Net worth ratio** means the ratio of the net worth of the credit union (as defined in paragraph (f) of this section) to the total assets of the credit union (as defined by a measure chosen under paragraph (j) of this section).

(h) **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—

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

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

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

   (iv) **Quarter-end balance.** The quarter-end balance of the calendar quarter as reported on the credit union’s Call Report.

   (2) For each quarter, a credit union must elect a measure of total assets from paragraph (k)(1) of this section to apply for all purposes under this part except §§702.103 through 702.108 [risk-based net worth requirement].

   (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.

§ 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
(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%).