§ 702.106  Standard calculation of risk-based net worth requirement.

A credit union’s risk-based net worth requirement is the aggregate of the following standard component amounts, each expressed as a percentage of the credit union’s quarter-end total assets as reflected in its most recent Call Report, rounded to two decimal places (Table 4):

(a) Long-term real estate loans. The sum of:
(1) Six percent (6%) of the amount of long-term real estate loans less than or equal to twenty-five percent (25%) of total assets; and
(2) Fourteen percent (14%) of the amount in excess of twenty-five percent (25%) of total assets;

(b) Member business loans outstanding. The sum of:
(1) Six percent (6%) of the amount of member business loans outstanding less than or equal to fifteen percent (15%) of total assets;
(2) Eight percent (8%) of the amount of member business loans outstanding greater than fifteen percent (15%), but less than or equal to twenty-five percent (25%), of total assets; and
(3) Fourteen percent (14%) of the amount in excess of twenty-five percent (25%) of total assets;

(c) Investments. The sum of:
(1) Three percent (3%) of the amount of investments with a weighted-average life (as specified in §702.105 above) of one (1) year or less;
(2) Six percent (6%) of the amount of investments with a weighted-average life greater than one (1) year, but less than or equal to three (3) years;
(3) Twelve percent (12%) of the amount of investments with a weighted-average life greater than three (3) years, but less than or equal to ten (10) years; and
(4) Twenty percent (20%) of the amount of investments with a weighted-average life greater than ten (10) years;

(d) Low-risk assets. Zero percent (0%) of the entire portfolio of low-risk assets;

(e) Average-risk assets. Six percent (6%) of the entire portfolio of average-risk assets;

(f) Loans sold with recourse. Six percent (6%) of the entire portfolio of loans sold with recourse;

(g) Unused member business loan commitments. Six percent (6%) of the entire portfolio of unused member business loan commitments; and

(h) Allowance. Negative one hundred percent (−100%) of the balance of the Allowance for Loan and Lease Losses account, not to exceed the equivalent of one and one-half percent (1.5%) of total loans outstanding.

12 CFR Ch. VII (1–1–11 Edition)
§ 702.107 Alternative components for standard calculation.

A credit union may substitute one or more alternative components below, in place of the corresponding standard components in §702.106 above, when any alternative component amount, expressed as a percentage of the credit union’s quarter-end total assets as reflected in its most recent Call Report, rounded to two decimal places, is smaller (Table 5):

(a) Long-term real estate loans. The sum of:
   (1) Non-callable. Non-callable long-term real estate loans as follows:
      (i) Eight percent (8%) of the amount of such loans with a remaining maturity of greater than 5 years, but less than or equal to 12 years;
      (ii) Twelve percent (12%) of the amount of such loans with a remaining maturity of greater than 12 years, but less than or equal to 20 years; and
      (iii) Fourteen percent (14%) of the amount of such loans with a remaining maturity greater than 20 years;
   (2) Callable. Long-term real estate loans callable in 5 years or less as follows:
      (i) Six percent (6%) of the amount of such loans with a documented call provision of 5 years or less and with a remaining maturity of greater than 5 years, but less than or equal to 12 years;
      (ii) Ten percent (10%) of the amount of such loans with a documented call provision of 5 years or less and with a remaining maturity of greater than 12 years, but less than or equal to 20 years; and
      (iii) Twelve percent (12%) of the amount of such loans with a documented call provision of 5 years or less and with a remaining maturity of greater than 20 years;

(b) Member business loans outstanding. The sum of:
   (1) Fixed rate. Fixed-rate member business loans outstanding as follows:
      (i) Six percent (6%) of the amount of such loans with a remaining maturity of 3 or fewer years;