

September 5, 1997

“A”

Subject: Transfer of WCUSGA contingency reserve as of December 31, 1998

Opinion No.: 97-16 (**Redacted**)

Dear “A”:

You have inquired as to what capital account the WCUSGA contingency reserve can be transferred to after December 31, 1998.

After December 31, 1998, the WCUSGA contingency reserve should be transferred into the regular reserve.

The following factors were considered:

1. RCW 31.12A.007(5) requires that WCUSGA members, who obtain NCUSIF share insurance, continue to maintain their WCUSGA contingency reserve until December 31, 1998.
2. RCW 31.12A.050(1)(a) provides that the WCUSGA contingency reserve was originally funded from the guaranty fund (also known as the regular reserve) and RCW 31.12A.050(1)(b) requires that subsequent adjustments of the WCUSGA contingency fund are also from or to the regular reserve.
3. RCW 31.12.445 is the regular reserve requirement for WCUSGA member credit unions. The Division has taken the position that the WCUSGA contingency reserve is added to the regular reserve when calculating whether a credit union is required to transfer a portion of gross income into the regular reserves.

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4. If the WCUSGA contingency reserve was not transferred into the regular reserve, credit unions would be under-reserved in comparison to prior periods.

If you have any questions, please give me a call at (306) 902-8753.

Sincerely,

Linda K. Jekel
Program Manager