

# Template: Approve Request to Reduce Earnings Transfer Requirement

Date

SENT VIA [PREFERRED DELIVERY SERVICE] – SIGNATURE REQUIRED (IF APPLICABLE)

Mr. John Doe  
Board Chairperson  
ABC Federal Credit Union  
Address  
City, State Zip

Dear Mr. Doe:

I am responding to your request for a decrease in Earnings Requirements and Reserve Chargeback pursuant to Section 702.201 [and, if applicable, Sections 702.401 and 702.403] of NCUA rules and regulations, received [date] and [date] respectively, necessary due to ABC Federal Credit Union's low net worth position.

## Earnings Transfer Reduction

ABC Federal Credit Union has reported net worth less than seven percent since [date]. Because of this, Section 702.201 of the Regulation requires the credit union to earn sufficient earnings to increase the dollar amount of its net worth by 0.10 percent of assets either in the current quarter or an average over the current and three preceding quarters, and to transfer this amount from Undivided Earnings to Regular Reserves or obtain my approval for a for a smaller net worth increase and earnings transfer. I have not received any such requests prior to the request at hand. I will not approve decreases in the earnings transfer requirements for prior periods.

However, I will approve a waiver for the quarter ending [date]. This waiver will eliminate the requirement to increase net worth by the 0.10 percent amount and to transfer that amount transfer from Undivided Earnings to Regular Reserves at [date]. However, you must transfer any positive net income for the quarter from Undivided Earnings to Regular Reserves up to 0.10 percent of assets.

[If applicable, Regional Director Response to A FICU's Request to Charge Regular Reserves Where The FICU Has Depleted Its Undivided Earnings And The Charge Will Cause the FICU's Net Worth Classification To Fall Below "Adequately Capitalized"]

## Charge to Regular Reserves

Pursuant to Section 702.401(c) of the Regulation, the ABC Federal Credit Union must have enough funds in Undivided Earnings to cover losses and the payment of dividends. A transfer of funds from Regular Reserves to Undivided Earnings to cover a deficit in Undivided Earnings is possible, but a credit union with your level of net worth must first obtain my approval. I cannot approve your request for a [dollar amount] charge to Regular Reserve as it exceeds your expected deficit in Undivided Earnings. I am authorizing you to transfer from Regular Reserve only the amount necessary to clear (bring to a \$0 balance) the deficit in Undivided Earnings,

estimated as the amount of deficit reported at [date] [dollar amount] minus earnings for the [xx] quarter of [date]

*[If applicable, Regional Director Response to A FICU's Request to Pay Dividends Where The FICU Has Depleted Its Undivided Earnings And The Payment Will Cause the FICU's Net Worth Classification To Fall Below "Adequately Capitalized"]*

*Payment of Dividends*

I am approving your request to pay dividends in accordance with Section 702.403(b)(2) of the Regulation. You are authorized to pay dividends not to exceed the rates submitted in your request *[or proposed Net Worth Restoration Plan, received [date]]*. As a reminder, you must ensure the Allowance for Loan and Lease Loss account is properly funded prior to the payment of dividends.

Please contact examiner [examiner name] at [phone number] with any questions.

Sincerely,

[NAME]  
Regional Director

[Office]/[WRITER'S INITIALS]  
SSIC XXXX  
Charter #

cc: SE  
EX  
SSA (when applicable)