

## Part 705 Community Development Revolving Loan Program For Credit Unions

### § 705.0 Applicability.

Monies from the Community Development Revolving Loan Fund for Credit Unions are governed by this Part.

### § 705.1 Scope.

- (a) This Part implements the Community Development Revolving Loan Program for Credit Unions (Program) under the sole administration of the National Credit Union Administration.
- (b) This Part establishes the following:
  - (1) Definitions;
  - (2) The application process and requirements for qualifying for a loan under the program;
  - (3) How loan funds are to be made available and their repayment; and
  - (4) Technical assistance to be provided to participating credit unions.

### § 705.2 Purpose of the Program.

- (a) The Community Development Revolving Loan Program for Credit Unions is intended to support the efforts of participating credit unions through loans to those credit unions in:
  - (1) Providing basic financial and related services to residents in their communities; and
  - (2) Stimulating economic activities in the communities they service which will result in increased income, ownership and employment opportunities for low-income residents, and other community growth efforts.
- (b) The policy of NCUA is to revolve loan funds to qualifying credit unions as often as practical in order to gain maximum economic impact on as many participating credit unions as possible.

### § 705.3 Definitions.

- (a)
  - (1) The term “low-income members” shall mean those members who make less than 80 percent of the average for all wage earners as established by the Bureau of Labor Statistics or those members whose annual household income falls at or below 80 percent of the median household income for the nation as established by the Census Bureau or those members otherwise defined as low-income members as determined by order of the NCUA Board.
  - (2) In documenting its low-income membership, a credit union that serves a geographic area where a majority of residents fall at or below the annual income standard is presumed to be serving predominantly low-income members. In applying the standards, Regional Directors shall make allowances for geographical areas with higher costs of living. The following is the exclusive list of geographic areas and the differentials to be used:

	Percent
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Hawaii	40
Alaska	36
Washington, DC	19
Boston	17
San Diego	15
Los Angeles	14
New York	13
San Francisco	13
Seattle	10
Chicago	7
Philadelphia	7

- (b) For purposes of this part, a participating credit union means a state or federally-chartered credit union (excluding student credit unions) that is specifically involved in the stimulation of economic development activities and community revitalization efforts aimed at benefiting the community it serves; whose membership consists of predominantly low-income members as defined in paragraph (a) of this section or applicable state standards as reflected by a current low-income designation pursuant to § 701.34(a)(1) or § 741.204 of this chapter or, in the case of a state-chartered non-federally insured credit union, under applicable state standards; and has submitted an application for a loan and/or technical assistance and has been selected for participation in the Program in accordance with this part.

#### **§ 705.4 Program Activities.**

In order to meet the objectives of the Program, a credit union applicant should provide a variety of financial and related services designed to meet the particular needs of the low-income community served. These activities shall include basic member share accounts and member loan services.

#### **§ 705.5 Application for Participation.**

- (a) Applications to participate and qualify for a loan or technical assistance under the Program may be obtained from the National Credit Union Administration, Community Development Revolving Loan Program for Credit Unions.
- (b) The application for a loan shall contain the following information:
- (1) Information demonstrating a sound financial position and the credit union's ability to manage its day-to-day business affairs, including the credit union's latest financial statement. Non-federally insured credit unions must include the following:
    - (i) A copy of its most recent outside audit report;
    - (ii) Proof of deposit and surety bond insurance which states the maximum insurance levels permitted by the policies;
    - (iii) A balance sheet, an income and expense statement, and a schedule of delinquent loans, for the most recent month-end and each of the twelve months preceding that month-end.
  - (2) Evidence that the credit union has a need for increased funds in order to improve financial services to its members.

- (3) The following information concerning a state-chartered credit union's field of membership:
    - (i) Current field of membership as set forth in the credit union's charter;
    - (ii) Changes, if any, to be made to the field of membership for participation in the Program, including:
      - (A) Evidence of approval of change by credit union board of directors;
      - (B) Evidence of submission and approval of change by the state supervisor;
    - (iii) Current designation as a low-income credit union if the credit union is not federally insured.
  - (4) Along with a community needs plan, specifics of how the credit union proposes to serve the needs of its members and the community with Program funds. The applicant credit union will also construct and submit a plan for its growth and development. The plan will set forth objectives for financial growth, credit union development and capitalization, and the means for achieving these objectives.
  - (5) Indication of any other involvement in existing community development programs of state and federal agencies.
- (c) NCUA will notify applicant credit unions as to whether or not they have qualified for a loan or technical assistance under this Part. Reasons for non-qualification will be stated. Any applicant whose qualification is denied may appeal that decision to the NCUA Board.

#### **§ 705.6 Community Needs Plan.**

- (a) The credit union's board of directors will prepare a Community Needs Plan and submit it with its loan application. The Plan will contain a list of needed community services that the credit union will provide.
- (b) The credit union's board of directors will report on the progress of providing needed community services to the credit union members once a year, either at the annual meeting or in a written report sent to all members. The credit union will also submit the written report or a summary of the report given at the annual meeting to NCUA.

#### **§ 705.7 Loans to Participating Credit Unions.**

- (a) Amount and Recording of Loans. A participating credit union will be eligible to receive up to \$300,000, in the aggregate as determined by the NCUA Board, in the form of a loan from the Community Development Revolving Loan Fund for Credit Unions. The amount of the loan will be based on funds availability, the creditworthiness of the participating credit union, financial need, and a demonstrated capability of a participating credit union to provide financial and related services to its members. At the discretion of NCUA, a loan will be recorded by a participating credit union as either a note payable or a non-member deposit.
- (b) Matching Requirements. Participating credit unions will be encouraged to develop, as rapidly as possible, a permanent source of member shares.
  - (1) Generally loan monies made available must be matched by the participating credit union by increasing its share deposits in an amount equal to the loan amount. However, any loan monies matched by member share deposits will be credited as two-for-one match. Non-member share deposits accepted to meet

the matching requirement are not subject to the 20 percent limitation on non-member deposits under § 701.32. Participating credit unions must meet this matching requirement within one year of the approval of the loan application and must maintain the increase in the total amount of share deposits for the duration of the loan. Once the loan is repaid, non-member share deposits accepted to meet the matching requirement are subject to § 701.32.

- (2) Upon approval of its loan application, and before it meets its matching requirement, a participating credit union may receive the entire loan commitment in a single payment. If any funds are withheld, the remainder of the funds committed will be available to the participating credit union only after it has documented that it has met the match requirement for the total amount of the loan committed.
- (3) Failure of a participating credit union to generate the required match within one year of the approval of the loan will result in the reduction of the loan proportionate to the amount of match actually generated. Payment of any additional funds initially approved will be limited as appropriate to reflect the revised amount of the loan approved. Any funds already advanced to the participating credit union in excess of the revised amount of loan approval must be repaid immediately to NCUA. Failure to repay such funds to NCUA upon demand shall result in the default of the entire loan.
- (c) Terms and Repayment.
  - (1) Assistance made available through Program loans, whether recorded by the credit union as a note payable or non-member deposit at NCUA's direction, is in the form of a loan and must be repaid to NCUA. All loans will be scheduled for repayment within the shortest time compatible with sound business practices and with objectives of the Program, but in no case will the term exceed five years.
  - (2) Semiannual interest payments (beginning six months after the initial distribution of a loan) and semiannual principal payments (beginning one year after the initial distribution of a loan) will be required.
- (d) Interest Rates. Loans made under this Part shall bear interest at a fixed annual percentage rate of not more than 3 percent and not less than 1 percent as determined by the NCUA Board.
- (e) Default, Collections and Adjustments. The terms of each loan agreement shall provide for the immediate acceleration of the unpaid balance for breach or default in the performance by the participating credit union of the terms or conditions of the loan. This will include misrepresentations, default in making interest/principal payments, failure to report, insolvency, failure to maintain adequate match for the duration of the loan period, etc. The unpaid balance will also be accelerated and immediately due if any part of the loan funds are improperly used, or if uninvested loan proceeds remain unused for an unreasonable or unjustified period of time.

### **§ 705.8 State-Chartered Credit Unions.**

State-chartered credit union loan applicants approved for participation by NCUA must obtain written concurrence from their respective state regulatory authority. Such applicants shall make copies of their state examination reports available to NCUA and shall agree to examination by NCUA for the limited purpose of compliance with this Part.

**§ 705.9 Application Period.**

NCUA will announce annually and publish in the Federal Register when applications for participation in the Program may be submitted. Such notice will be dependent upon the availability of funds.

**§ 705.10 Technical Assistance.**

NCUA may provide technical assistance to participating credit unions directly or through outside providers selected by the credit unions or NCUA. NCUA will base technical assistance on funds availability, the needs of the participating credit union, and a demonstrated capability of the participating credit union to provide financial and related services to its members. NCUA will consider applications for technical assistance and determine whether to grant them in accordance with established procedures and standards that are publicly available. Participating credit unions can be provided with technical assistance without obtaining a Program loan. NCUA technical assistance will aid participating credit unions in providing services to their members and in the efficient operation of such credit unions.