



November 20, 2012

NCUA Proposal to Extend Acceptance Period for Low Income Designation for FCUs

Executive Summary

- The National Credit Union Administration (NCUA) has issued a proposed rule that would extend the time FCUs have to accept a low-income designation. The proposal would also make minor technical corrections which will clarify that the NCUA, not the regional directors, has the authority to designate FCUs as low-income credit unions (LICUs).
- The NCUA offers LICU designation to FCUs because a majority of the FCUs' membership consists of "low-income members." "Low-income members" are defined as those members whose family income is 80% or less than the total median earnings for individuals for the metropolitan area where they live or the national metropolitan area, whichever is greater. For members living outside a metropolitan area, the metropolitan area figure is replaced by statewide or national non-metropolitan median family income. "Low-income members" also includes those members enrolled as students in college, university, high school, or vocational school.
- LICU designation gives FCUs several benefits, including acceptance of non-member deposits from any source, secondary capital accounts, exemptions from member business loan (MBL) limits, and access to grants and low-income loans from NCUA. For further information, see NCUA's Low-Income Designation Fact Sheet, <http://www.ncua.gov/Legal/Documents/LowIncomeDesignationFactSheet.pdf>.
- Currently, NCUA determines FCUs eligibility for LICU designation based on data obtained through examinations. NCUA then notifies FCUs of their eligibility, and offers them the opportunity to accept the designation. If an FCU wishes to accept LICU designation, it has to notify NCUA of its acceptance in writing within 30 days of the FCU's receipt of the eligibility notification.
- The proposed rule would extend the acceptance response period from 30 days to 90 days after receipt of NCUA's notification of eligibility. In addition to the rule change, NCUA plans to notify FCUs of their eligibility to opt-in to LICU status on a period basis, and to provide opportunities for LICU designation acceptance past the 90 day deadline. Finally, NCUA plans to permit FCUs to relinquish their LICU designation at any time and for any reason by written notification to NCUA.
- The proposed rule change would not affect the designation process for LICUs.
- The NCUA believes that the current 30 day response period is burdensome for some credit unions. For instance, the short timeframe makes it difficult for certain credit unions

to analyze whether they wish to accept LICU designation, and to get approval from their board of directors. The extension would make it easier for FCUs to obtain LICU designation, and to better serve its members by taking advantage of the benefits of low income designation.

- The proposed rule would also alter the language of the NCUA regulations to clarify that NCUA’s Office of Consumer Protection has the authority to designate FCUs as LICUs, as is current practice. Regional directors had such authority previously.
- NCUA is seeking comments on the proposed extension of the LICU designation acceptance period. Comments for the proposal are due to NCUA by November 26, 2012; **please submit your comments to CUNA by November 21, 2012.** Comment letters may be filed with NCUA via e-mail at regcomments@ncua.gov. If commenting directly to the agency, please include “[Your name] Comments on Notice of Proposed Rulemaking for Parts 701 and 741 Designation of low-income status” in the e-mail subject line.
- For more information from CUNA, please contact Mary Dunn at Mdunn@cuna.coop.
- For further details, please click [<http://www.gpo.gov/fdsys/pkg/FR-2012-10-25/pdf/2012-26129.pdf>] for the proposed rule in the Federal Register.

Questions to Consider Regarding the Proposed Rule

1. Does your credit union support the extension from 30 days to 90 days?

2. Should the response period be longer than 90 days? Shorter?

3. Do you anticipate that the extension will make it easier to obtain LICU designation, or make LICU designation more attractive to your credit union?

4. Do you have any other comments generally?
