



October 18, 2012

NCUA Proposed Definition of a “Small Entity”

Executive Summary

- The National Credit Union Administration (NCUA) has issued a proposed rule and proposed Interpretive Ruling and Policy Statement (IRPS) 12-2 that would amend existing IRPS 87-2 that defines a “small entity,” as amended by IRPS 03-2, and also amend two NCUA regulations that apply asset thresholds.
- Specifically, the proposal would amend NCUA’s definition of a “small entity,” by increasing the asset threshold from \$10 million to \$30 million. The agency would revisit this threshold at least every three years.
- The proposed asset threshold of \$30 million would also provide regulatory compliance relief for smaller credit unions under two regulations that reference the current “small entity” asset threshold of \$10 million. Currently, the \$10 million asset threshold is used to define a “complex” credit union for determining whether risk-based net worth requirements apply. In addition, credit unions with an asset range of \$10 to \$50 million would be subject to certain requirements under the interest rate risk final rule that was effective on September 30, 2012.
- The Regulatory Flexibility Act requires NCUA and other federal agencies to determine and consider the impact of proposed and final rules on small entities. NCUA has defined “small entity” as a credit union with less than \$10 million in assets since 2003.
- NCUA noted that it accounted for the following indicators to determine the proposed threshold: 1) industry percentages represented by FICUs with less than \$10 million in assets at the time Congress implemented that threshold in various Federal Credit Union Act provisions in 1998; 2) correlation of National Credit Union Share Insurance Fund losses and FICU asset size; and 3) FICU complexity and relative risk.
- CUNA asked for a 30-day extension of the comment period; this request has been granted. Comments for the proposal are due to NCUA by the revised due date of November 26, 2012; **please submit your comments to CUNA by November 12. Comment letters may be filed with NCUA via email at regcomments@ncua.gov.** If commenting directly to the agency, please include “[Your name]–Comments on Proposed Rule 702, 741, 791 and IRPS 12-2” in the e-mail subject line.
- For more information from CUNA, contact Deputy General Counsel Mary Dunn at mdunn@cuna.coop and Regulatory Counsel Dennis Tsang at dtsang@cuna.coop.

- For further details, please click [here](#) for the proposal in the Federal Register.

Credit Union Asset Thresholds and Statistics

	Current \$10 million threshold		Proposed \$30 million threshold
	December 1998	June 2012	June 2012
Number of FICUs with assets less than threshold	6,636	2,438	4,041
Percent of Total FICUs	60.4%	35%	58.1%
Percent of Total System Assets	5.5%	1.0%	3.9%
Percent of System Net Worth	6.9%	1.4%	4.9%

Questions to Consider Regarding the Proposed Rule and IRPS

1. Does your credit union support the proposal that would amend NCUA’s definition of a “small entity,” by increasing the asset threshold from \$10 million to \$30 million?

2. Also, do you support the proposed revised asset threshold to provide regulatory compliance relief for credit unions under regulations that reference the “small entity” asset threshold (i.e., the risk-based net worth rule and the interest rate risk rule)?

3. Should the definition of a “small entity” have a higher asset threshold? If so, what threshold should that be? Please provide details regarding why the threshold should be higher.

4. Other general suggestions or comments?

Thank you for your comments.