



**NCUA**  
National Credit Union Administration

Office of Examination and Insurance  
Office of General Counsel

# Proposed Rule

## §701.32

Payment on shares by public units  
and nonmembers

May 2019

# Federal Credit Union Act § 107(6)

- **FCUs shall have the power...**

- Receive from its members, from other credit unions, from an officer, employee, or agent of those nonmember units of Federal, Indian tribal, State, or local governments and political subdivisions thereof enumerated in section 1787 and in the manner so prescribed, from the Central Liquidity Facility, and from nonmembers in the case of credit unions serving predominately low-income members (as defined by the Board) payments, representing equity, on –

- Shares which may be issued at varying dividend rates;
- Share certificates which may be issued at varying interest rates and maturities; and
- Share draft accounts authorized under section 1785(f)

Subject to the terms, rates, and conditions as may be established by the board of directors, within limitations prescribed by the Board

# Public Unit and Nonmember Shares

- **Public unit and political subdivisions are defined in NCUA regulations § 745.1 – All FICUs\***
- **Nonmember shares (deposits) is defined in NCUA regulations § 701.32(a) as:**
  - Nonmember credit union shares – All FICUs\*
  - Nonmember shares from any other nonmember – LICUs only\*

\*For FISCUs, if applicable under state law

# Proposed Changes to § 701.32

- **Change basis for measuring the limit from shares to paid-in and unimpaired capital and surplus\* less public unit and nonmember deposits**
  - Aligns with borrowing threshold measure
  - Subtracting out public unit and nonmember deposits prevents circular increase in the limit
- **Increase limit from 20% to 50%**
  - Clarify limit is measured at time of issuance
  - Remove waiver provision
- **Require plan if public unit and nonmember deposits plus borrowings are greater than 70% of paid-in and unimpaired capital and surplus**
- **Request comment on whether to remove “or \$3 million, whichever is greater”**

\*Paid-in and unimpaired capital and surplus means shares plus post-closing undivided earnings (see NCUA regulations § 700.2)

# NCUA Regulations § 701.32

## Current Rule

FCU Type*	May accept from...			Limit	Plan Required?
	Public Units and Political Subdivisions	Other Credit Unions	Other Nonmembers		
Low-income	X	X	X	20% of total shares** or \$3 million, whichever is greater (unless RD waiver)	Yes, if public unit and nonmember shares exceed 20% of total shares**
Non low-income	X	X			

## Proposed Rule

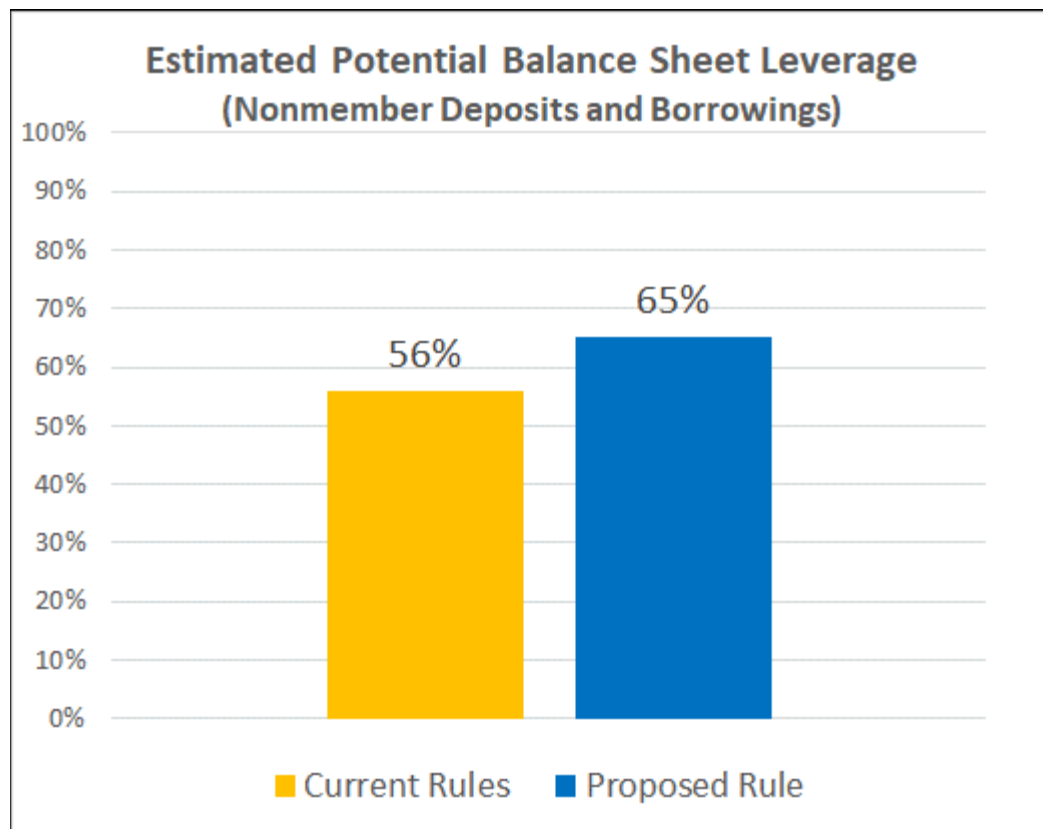
FCU Type*	May accept from...			Limit	Plan Required?
	Public Units and Political Subdivisions	Other Credit Unions	Other Nonmembers		
Low-income	X	X	X	50% of the difference of paid-in and unimpaired capital and surplus*** and any public unit and nonmember shares	Yes, if public unit and nonmember shares <i>plus</i> borrowings exceed 70% of PIUCS
Non low-income	X	X			

\*Also applies to FISCUs under § 741.204(a)

\*\*Total shares includes member and nonmember shares

\*\*\*Paid-in and unimpaired capital and surplus means shares (member and nonmember) plus post-closing undivided earnings

# Estimated Balance Sheet Leverage



Minimum net worth ratio to use full proposed authority = at least 17%

Increase in system funding capacity = 6% or approximately \$135B

## Assumptions:

- Analysis includes all FICUs and represents an overall average using March 2019 Call Report data
- Analysis simulates full utilization of both NMD and Borrowing regulatory limits for current and proposed rules.
- A 7% NW ratio is used as a limitation of potential leverage.
- Analysis is an instantaneous shock with no benefit of additional net income.

# Proposed Rule § 701.32

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**Comments due 60 days  
from publication in the  
*Federal Register***