

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
www.ncua.gov

Media Contact: NCUA Office of
Public & Congressional Affairs
Phone: (703) 518-6330
Email: pacamail@ncua.gov



NCUA Media Advisory

NCUA Approves Low-Income CU Interim Capital Rule

Action Follows New Treasury Capital Initiative, Will Enable CUs to Participate

February 12, 2010, Alexandria, Va. -- The Board of the National Credit Union Administration (NCUA), by notation vote February 9th, unanimously approved an interim final rule regarding use of secondary capital by low-income designated credit unions (LICUs). The move by NCUA comes less than a week after the Treasury Department announced details of the new Community Development Capital (CDC) Program, an initiative aimed at expanding financial institution lending in low-income areas, and will enable LICUs to participate in the Program. The interim rule changes NCUA rules concerning redemption of secondary capital by LICUs.

Prior to the action, LICUs were limited with respect to the percentage of secondary capital they could redeem prior to maturation. Now, the new regulation permits, with approval of the NCUA Regional Director, redemption of all or part of government-funded secondary capital along with its matching secondary capital at any time after it has been on deposit for two years. The amended rule also allows LICUs to redeem secondary capital accepted under the CDC Program before interest rates on Program secondary capital escalate to 9 percent over the last five years to maturity. Finally, the amendment changes the loss distribution procedures applicable to secondary capital by making CDC Program secondary capital senior to any required matching secondary capital.

"As I stated last week when Treasury announced details of the CDC Program, I wanted NCUA to move swiftly to conform our regulations so that credit unions could begin their participation as soon as possible. I firmly believe that President Obama's initiative holds tremendous promise for credit unions and other financial institutions that want to help consumers in disadvantaged communities. The time is now for eligible credit unions to utilize this additional capital tool and give

consumers greater access to mainstream financial services," commented NCUA Chairman Debbie Matz.

The attached interim final rule will have a 30-day comment period. The rule will be available on NCUA's website <http://www.ncua.gov/Resources/RegulationsOpinionsLaws/FinalRegulations.aspx>.

The National Credit Union Administration charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, also operates and manages the National Credit Union Share Insurance Fund (NCUSIF), insuring the deposits of over 90 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUA is funded by credit unions, not federal tax dollars.

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