

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: February 12, 2010

FROM: Office of General Counsel

SUBJ: Presentation regarding
Interim Final Rule, Part 701
Secondary Capital

ACTION REQUESTED: On February 9, 2010, the Board passed by notation vote an interim final rule that amends NCUA's regulation on redemption of secondary capital ("SC") by low-income designated credit unions ("LICUs"). Although no further action is required at this time, an NCUA staff member will make an informational presentation on the changes.

DATE ACTION REQUESTED: N/A.

OTHER OFFICES CONSULTED: Office of Examination and Insurance, Office of Small Credit Union Initiatives, and all Regional Directors.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Kevin Tuininga, Trial Attorney, Office of General Counsel.

SUMMARY: The interim final rule amends NCUA's regulation on redemption of SC to permit redemption of all or part of government-funded SC along with its matching SC at any time after it has been on deposit for two years, subject to the approval of the appropriate Regional Director. The effect of the amendment is to allow LICUs to redeem SC accepted under the Treasury Department's Community Development Capital Program ("CDC Program") before interest rates on the CDC Program SC escalate to nine percent over the last five years to maturity. In compliance with the CDC Program, the amendment also changes the loss distribution procedures applicable to secondary capital by making CDC Program SC senior to any required matching SC. The interim final rule is effective immediately on publication in the Federal Register and NCUA is accepting comments on the rule for 30 days.

RECOMMENDED ACTION: N/A.

ATTACHMENT: Interim final rule.